

Plugged in
Eddie George at the
Bank of England
Interview, Page 17

Europe's jobs
Why 'competitiveness'
doesn't matter much
Page 18

Interest rates
France and Germany
agree to differ
Page 2

A lead for Europe
German banking
and finance
Survey, Pages 11-14

FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JULY 1 1993

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China moves to cut overheating in the economy

China is poised to clamp down on its overheating economy amid reports that Li Guixian, its central bank governor has been sacked for failing to impose order on a chaotic financial sector.

A Beijing-affiliated newspaper in Hong Kong reported that Zhu Rongji, senior vice-premier, would have his responsibilities extended to include supervision of the People's Bank, with the task of enforcing tougher credit curbs. Page 4

Pound rises as German rate cut speculation increases

Institutional buying especially from Japanese investors pushed the pound yesterday to DM2.555, its highest level against the D-Mark since last September's devaluation. Profit-taking later brought it down to a close in London of DM2.545, unchanged from Tuesday night. Against the dollar the pound fell back by nearly 1 cent, closing at \$1.4935. The D-Mark was weakened by speculation that the Bundesbank might cut interest rates at today's council meeting after the Bonn coalition's DM25bn (\$14.7bn) savings package was hailed yesterday as a signal for the cutting of key rates. Page 2

Governor optimistic: Britain has the potential for an economic recovery that could continue through the rest of this decade, according to Eddie George, the new governor of the Bank of England. Page 18; Steady hand at the helm, Page 17

Trade accord blocked: US-Mexican relations were jeopardised after a US federal court ruling which effectively blocks approval of the North American Free Trade Agreement this year. Page 18

EC promises nothing but the truth

Information provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth", pledged Joao de Deus Pinheiro (left), commissioner for internal political relations, announcing Brussels' new strategy of openness. The measure is intended to clean up the image of the EC in general and the Commission in particular. Page 2

Threat to Greek administration: Greece's former foreign minister, Antonis Samaras, launched a new political party, throwing the stability of prime minister Constantine Mitsotakis's government into doubt.

IMF loan to Russia: The International Monetary Fund is due today to approve a new \$1.5bn loan to Russia after extracting further market reform steps from the Russian authorities. Page 3; Call for 'trade not aid' treatment, Page 4

Nuclear test ban set to stay: President Bill Clinton is expected to extend the US moratorium on nuclear testing, bowing to opposition from Congress to any further such tests. Page 5; Uranium process goes independent, Page 5

Anti-terror cord: An anti-terrorist security cord is to be enforced around the City, London's financial quarter, in a bid to frustrate bomb threats in the capital. Page 8

Rohm, Japanese semiconductor maker, said its US subsidiary would claim royalties from Intel, world's largest chipmaker, and other leading manufacturers of "flash memory" chips, following a court ruling reaffirming a Rohm patent. Page 30

Boenian Croat call-up ordered: Boenian Croat commanders ordered a general mobilisation as their troops tried to push back Muslim forces from Mostar. Page 3; UN poised to extend peace-keeping operations, Page 3

Strong man set to take over: Surat Husseinov, the man whose private army forced the elected president of Azerbaijan to flee his post, was named prime minister and "supreme commander" of the Caucasian republic. Page 3

Feruzzi Financials: The Italian holding company saddled with total borrowings of over £20,000m (\$20.1bn), is expected to launch a big rights issue to recapitalise its shaky finances after a special shareholders' meeting planned for August 31. Page 19

Tax transferor jailed: Michael Hunt, the managing director of Nissan UK, the former West Sussex-based car importer, was jailed for eight years for his part in Britain's largest ever tax fraud. Page 3

STOCK MARKET INDICES		STERLING	
FTSE 100	2980.0 (+14.0)	New York Composite	2495.19
DAX	3380.0 (+10.0)	London	1495.19
FTSE Europe 100	2980.0 (+14.0)	Winnipeg	1495.19
FTSE Asia 100	2980.0 (+14.0)	Frankfurt	1495.19
FTSE Japan 100	2980.0 (+14.0)	Paris	1495.19
FTSE Australia 100	2980.0 (+14.0)	Madrid	1495.19
FTSE Hong Kong 100	2980.0 (+14.0)	Berlin	1495.19
FTSE South Africa 100	2980.0 (+14.0)	Amsterdam	1495.19
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Shocking words upset the EC's oldest family

By Quentin Peel in Bonn and Christopher Parkes in Frankfurt

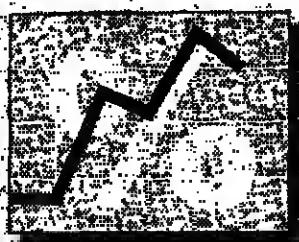
BARELY 10 days ago, on the eve of the EC summit in Copenhagen, shocking words were spoken in a remote committee room of the German Bundestag.

"Maastricht is dead," was one of the more dramatic expressions. "Social cohesion," alias trade protectionism, was trumpeted as the answer to Europe's economic misery. The negotiations for liberalisation of the Gatt were denounced as dangerous, irrelevant and unnecessary.

The perpetrators of these heresies, for that is how they sounded in the German parliament, were not German parliamentarians, but a dozen leading French deputies. The vehemence of their attack took their German hosts by surprise.

The mood in Paris is certainly causing some concern in Bonn, just as the contrary is no doubt true, that Germany is obsessed with its internal problems of unification. There is tension on the age-old issue of free trade versus protectionism; there is tension over monetary policy, and the determi-

Testing times for Franco-German alliance



Interest rates

Worried about the effect of high German rates on the French economy, Paris wants the Bundesbank council to cut rates at its meeting today. France has reduced short-term rates eight times since early April, putting its short-term rates below those of Germany's. As a result, neither French cities are becoming more dependent on Bundesbank action.



Basin

German Chancellor Helmut Kohl's plan at last week's European Community summit meeting for the possible lifting of the arms embargo against Bosnia-Herzegovina's Muslims took France, as well as other EC countries, by surprise.



French Franc Deutsche Mark

As investors worry about the German economy and France brings down short-term interest rates below German levels, the French franc has attracted solid support on the foreign exchanges, threatening the German mark's anchor function in the ERM.



European Union

Germany, whose people eat more bananas per head by far than anywhere else in the world, is outraged by the European Community regime to restrict banana imports. Germany blames the French government, which it accuses of seeking to defend the interests of its former territories and former colonies at the expense of free trade.



Gatt

France, which views the General Agreement on Tariffs and Trade as a vehicle for US trade hegemony, finds itself at odds with Germany. On the sensitive issue of Gatt-proposed farm trade reform, France is adamant that it cannot accept the deal negotiated by the EC with strong German support.



Deutsche Telekom

Germany says that its 1994 trade treaty with the US prevents it from implementing EC trade selections against US companies. France, supported by some other EC countries, is opposed and strongly supports the European Commission's view that Germany is breaching community law.

than there is in the corridors of power in Bonn, where relations with Paris are bound by "cords of steel" in the words of a senior diplomat.

One sensitive popular issue is former Yugoslavia, where German sympathies lie overwhelmingly with Croatia, and the Bosnian Muslims, and against the perceived aggression of Serbia.

Perhaps even more explosive is the issue of bananas. France is seen as the prime mover behind another example of EC protectionism, which threatens to force up the price of Germany's cheap banana imports from Latin America by almost 100 per cent, in order to favour expensive fruit from French territories.

"It is to the French we owe these expensive bananas," according to Ms Angelika Völz at the German foreign policy institute.

"That is one issue making public opinion in Germany less positive than that of the political leadership."

"The relationship has become less active, and more reactive."

"We still have to go along with them, but because there is no alternative," Ms Völz said.

Pique in Paris as Germans refuse to cross the Rhine

By David Buchanan in Paris

"BEYOND the turbulences of the moment, which are inevitable, the French-German relationship will keep the depth and the permanence which are necessary for both Europe and France." This was the portentous way in which Mr Alain Juppé, France's foreign minister, sought yesterday in the National Assembly to soothe anxious questions about the currently shaky state of the Paris-Bonn axis.

Independent French experts on relations across the Rhine concur in the basic

solidity of the alliance. Ms Anne-Marie Le Gloannec of the Centre d'Etudes et Recherches Internationales pointed out yesterday that France and Germany have successfully weathered previous lumps in their relationship, notably the initial hostile reaction of many French politicians in 1989-90 to the prospect of German unification. But there is clear concern in France at the proliferating pipracks between Paris and Bonn. "They should not be dramatised, but neither should they be underestimated," said Mr Juppé yesterday. "None of the disagreements are

about anything as spectacular as German unification, but the fact that they are so numerous, ranging from monetary policy and Gatt to bananas and waste recycling, makes them harder to manage," commented Ms Le Gloannec.

They are compounded by the fact that the new Balladur government is proving more assertive of French interests than its socialist predecessor. Mr Edmond Alphandery, the economy minister, carried this too far last week by appearing to summon his German opposite numbers to Paris for talks on "concerted" interest rate cuts,

while at the same time claiming that an increasing number of countries seemed to be looking to the Bank of France rather than the Bundesbank for the lead in lowering the cost of money in Europe.

Not surprisingly, the Germans refused to cross the Rhine last week. But the view in Mr Alphandery's own ministry is that their minister's gaffe does not change the fundamentals, which remain in France's favour. These are that France has lower inflation, and less depressing prospects for growth and for budget deficits, than Germany's. Therefore, France,

like the Netherlands, will be able to keep its short- and medium-term interest rates below those of Germany, and may be able to cut rates a little bit more, independently of whatever the Bundesbank does.

Virtually every minister in the Balladur government believes, or hopes, this will eventually bring recovery in France. The one exception is Mr Alain Madelin, the minister in charge of small business. He in an interview yesterday complained that "the franc's link to the D-Mark imposes a floor on French short-term rates, which can no longer drop significantly below

German rates, as France's situation demands". But the maverick Mr Madelin did not go as far as waving publicly any change in the franc/D-Mark parity.

Mr Balladur has not yet struck any close relationship with Chancellor Kohl, whose relationship with President Mitterrand remains closer. It has therefore become essential for the French prime minister to stay as "smooth" as possible. He is banking strongly on Mr Mitterrand using his influence with Mr Kohl, both at the Tokyo summit next week and later.

Bundesbank given rates signal

By Christopher Parkes in Frankfurt

THE Bonn coalition's DM25bn (€9.8bn) savings package was widely hailed yesterday as a signal for the Bundesbank to resume cutting key interest rates - but there was no agreement on when the first move would come.

Today's meeting of the central bank's policy-making council in Leipzig was considered too early by Mr Rüdiger Pohl, a member of the government's council of economic advisers.

He believed the bank might delay action until the political fate of the contentious package, based on cuts in social spending, was clearer.

Financial market traders were also sceptical, even though the bank early yesterday gave a further downward

nudge to the securities repurchase rate, at which it supplies markets with wholesale funds.

A cut from 7.59 to 7.58 per cent - the smallest possible - had been expected and given no grounds for immediate optimism, one trader said. However, as several other indicators pointed out, after two days' meeting only two more council sessions are scheduled before the long summer break.

Strains in the economy alone pointed to the need for some encouragement from the central bank sometime this month.

Despite the Bundesbank's repeated attempts to talk up the state of the economy, calls are increasing from industry for further rates relief. Mr Tyll Necker, president of the BDI federal industry confederation, said earlier this week that the end of the slump had not been

reached and all indicators were still pointing downwards.

Private sector economists have this week downgraded their forecasts and now expect the west German economy to shrink by up to 3 per cent in 1993. The government, too, wants some help to divert further criticism of German fiscal laxity and monetary rigidity expected at next month's summit of the Group of Seven leading industrial nations in Tokyo. Chancellor Helmut Kohl would draw attention to the deficit-reduction package at the talks, Mr Dieter Vogel, the official government spokesman, said.

The planned cuts would help put an end to uncertainty about the stability of the D-Mark, he added, and create conditions for further rate cuts. Reductions in social sup-

ports would make them a less attractive alternative to working.

Deutsche Bank, with especially close links to industry, was among the more bullish proponents of immediate cuts. Mr Axel Siedenberg, an economist in the bank's research division, said he expected at least a quarter-point reduction today in the 7.25 per cent discount and the 8.50 per cent Lombard rates.

He pointed to the expected return of monetary growth to the Bundesbank's target range, a further easing of inflation, and continuing falls in import prices.

Although import prices in May fell 0.3 per cent to stand 3.6 per cent lower than a year earlier, other economists pointed out that the recent rise of the dollar against the D-Mark would quickly push them up again.

Germany defends true symbol of unification 'Ja' we have cheap bananas

By Quentin Peel in Bonn

IF THERE is one true symbol of German unification it should be the beloved banana, they say in the Berlin backstreets.

When east Germany left the grim, fruit-free world of Communist rule and joined the bustling materialism of its western sister state, the most extraordinary change came in the consumption of bananas.

East Germans proceeded to celebrate their new-found freedom by devouring no less than 26kg per head per year, way over the EC average of 11kg per head.

With imports running at 3.4m tonnes a year, Germany is now by far the largest banana-eating nation in the industrialised world. Which is precisely

why the new European Community regime to curb cheap imports of so-called "dollar bananas" from Latin America, and favour the dearer and humbler products of the Caribbean and Africa, is a subject of national outrage.

Sticklers abound in car windcreens and shop windows, urging fellow citizens in Gothic script to be patriotic and "eat German bananas".

The decision on Tuesday by the European court of justice to reject the German government plea for an injunction to stop the new banana import regime is therefore a new blow to Germany's traditional loyalty to the EC.

It comes on the eve of the oral hearing in Germany's own constitutional court in Karlsruhe on whether the Maas-

tricht treaty on European union is compatible with the German constitution. Some would see it as an ominous reminder that when a real German issue is at stake, devotion to the cause of European integration evaporates.

They point to the famous battle over the German Reinheitsgebot, which demands that all beer brewed in Germany be free from all artificial additives.

And at the heart of the opposition to Maastricht is the ordinary German's devotion to his D-Mark. The Karlsruhe court is unlikely to decide on Maastricht before September. Few Germans will understand the legal niceties. But they all understand the threat to their money, their beer, and their bananas.

Deutsche Telekom plan approved

By Ariane Genillard in Bonn

GERMANY'S main parliamentary groups have given the go-ahead to the plan which will pave the way for the eventual privatisation of Deutsche Telekom, the state-owned telecommunications monopoly.

However, the plan was criticised by the German chamber of commerce and industry, which yesterday said that creating a state-controlled holding company would hinder the international competitiveness of Deutsche Telekom.

The German industry federation was critical, too. Mr Tyll Necker, its president, said "the ability of Deutsche Telekom to go to the stock market will not be secured under the present privatisation plan".

In an internal vote, the parliamentary groups of both the governing parties and the opposition Social Democrats voted for a government plan which will allow Deutsche Telekom to start selling shares on the stock exchange as early as the middle of 1994.

The plan foresees the creation of three separate joint-stock companies for Deutsche Telekom, the postal service and the postal bank. These would operate under a state holding company.

The holding company would retain a 50 per cent stake in Deutsche Telekom, as long as the latter has a monopoly in basic telephone services and lines. The majority stake would be relinquished once the European telecoms market is opened up in 1998, as recently agreed by the EC.

Brussels unveils its policy of glasnost

By David Gardner in Brussels

INFORMATION provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth", pledged Mr Joao de Deus Pinheiro, commissioner for internal political relations, announcing Brussels' long-awaited new strategy of openness.

He hailed the new policy as "a milestone" and "a democratic approach", after which the Commission would present information to the public and

the media on demand, speedily and without "techno-babble". The measure is intended to clean up the image of the EC in general, and of the Commission in particular.

All Commission documents would eventually be made available, he said, once a system had been put in place to "distinguish between those which are and aren't" official policy. Draft documents, which reveal the preliminary policy thinking of the EC's quasi-executive, should also be open to scrutiny. Mindful of the contro-

versy within the Commission over opening up its workings to public view, Mr Pinheiro warned that "the new policy will only work if it is identified with everybody".

The commissioners themselves, some of whom are rarely if ever seen in public, would more regularly give an account of their work, Mr Pinheiro said. "It's important that there should be full disclosure of the Commission's views."

"People want more information, better explanations and a

faster service," says the document approved by Brussels yesterday. "What they do not want are propaganda and platitudes."

Throughout the Commission departments there will now be an official designated to provide information requested by the public and the press. A small strategy group will monitor the overall political coherence of Commission information, while a steering committee based on its information directorate will examine whether information is

meeting the specific needs of those seeking it.

In addition, feedback should come from an external users' advisory council, made up of business, trade unions, the professions, civic groups and the press.

Although the Commission has now made its move, the Community's council of ministers has still to make up its mind on the possibility of freedom of information rules, allowing the public access to all EC documents on the US or Scandinavian model.

Greek government's stability in doubt

By Kerin Hope in Athens

GREECE'S former foreign minister, Mr Antonis Samaras, yesterday launched a new political party, throwing the stability of the government of the prime minister, Mr Constantinos Mitsotakis, into doubt.

Announcing the foundation of "Political Spring", Mr Samaras called for a fresh approach, but avoided outlining specific policies. He has stressed that he does not want to bring

down the government. However, the resignation earlier this week of Mr Yannis Averoff, a prominent backbencher in the ruling New Democracy party, could presage the departure of other personalities, making it increasingly difficult for Mr Mitsotakis to govern effectively. His authority has been eroded recently by accusations that he was involved in an illegal phone-tapping operation now being investigated by judicial authorities.

Baton passes to country that actually likes EC

YOU MEAN THEY TOOK EVERY SINGLE COPY OF THE MAASTRICHT TREATY?



By Lionel Barber in Brussels

ONE IS a flesh-pumping Flemish Christian Democrat with a passion for football; the other is a high-brow Flemish Socialist who conducts orchestras in his spare time. Meet Mr Jean-Luc Dehaene, Belgium's prime minister, and Mr Willy Claes, Belgium's foreign minister, two newcomers on the European scene who will be running the European Community for the next six months.

Today Belgium takes over the rotating EC presidency from Denmark. Mr Dehaene and Mr Claes can barely disguise their satisfaction. After the niggling nationalism of the previous British and Danish presidencies, federalist-minded Belgium is pressing for a return to Community orthodoxy. "We need more Europe, not less Europe," says Mr Dehaene.

Beyond the slogan lie two goals: to restore the authority of the European Commission as policy-motor and arbiter

between the 12 member states; and to apply the provisions of the Maastricht treaty, assuming, of course, that it survives the final stage of ratification in the UK and a legal challenge in Germany.

Neither task will be easy. The mood in the Community remains sour, best captured by tensions between France and Germany over trade and interest rates. Unemployment in the EC will pass the 13m mark by the end of the year. The EC remains beleaguered.

Yet the pressure is on the Belgians as a founder member of the EC to end the drift which began, just over a year ago, when Danish voters narrowly voted to reject Maastricht. The stakes are high: the next three EC presidencies - Greece, Germany and France - all face election campaigns in the next 18 months in which support for Maastricht could be a liability.

Vicqunt Etienne Davignon, chairman of the conglomerate Société Générale de Belgique, argues that credible progress

toward monetary union must be made during the Belgian presidency. The challenge is to formulate a deal on the site of the new European Monetary Institute, the precursor of the European central bank, which will supervise operation of the putative single European currency. Belgium is a great enthusiast for the single currency, but its credibility as a member of the "hard core" currency bloc built around the D-Mark took a knock recently.

Mr Philippe Maystadt, finance minister, suggested that the Maastricht criteria for reducing budget deficits might have to be relaxed if the recession continued well into 1994. Mr Maystadt subsequently said he had been misquoted, but the impression of wavering lingered.

Belgium also wants to make Maastricht's provisions for a common EC foreign and security policy work. This may seem remote after the disarray over former Yugoslavia, but Belgium is looking for less controversial areas where the

12 can agree to "joint actions". An important behind-the-scenes figure over the next six months will be Philippe de Schoutheete de Tervarent, Belgium's veteran ambassador to the EC and an expert in the foreign policy provisions of the treaty. He is a believer in process as much as concrete action.

"The Belgians are playing a long game," says one EC diplomat. "They want to encourage the correct habits."

By contrast, the British and Danish presidencies are seen as having introduced bad habits. Their enthusiasm for speedy enlargement of the EC to include Austria, Finland, Norway and Sweden by 1995 is not shared in Brussels; nor is the Danish push for more televised ministerial meetings. Five-minute sound-bites on camera are not the best way to restore EC credibility, says Mr Claes.

On the positive side, Denmark succeeded in liberalising the EC road haulage market, as well as presiding over the

acceleration of the economic and political integration of central and eastern Europe into the EC, which included more generous market access agreements.

But too often its ambitions were overshadowed by the imperative of securing a Yes in the second referendum at the end of May and EC diplomats will be relieved that the question of whether to fly the Danish flag outside the White House will not dominate planning for an EC-US summit.

At the very least, they must hope that Belgium's fragile coalition government will last longer than the Danish coalition last January. Two weeks into the presidency it fell victim to a scandal over the treatment of Tamil refugees.

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Moslem gains prompt mobilisation Bosnian Croat army issues general call-up

By Laura Silber in Zagreb

BOSNIAN Croat commanders yesterday ordered a general mobilisation as their troops tried to push back Moslem forces from Mostar, southwestern Bosnia-Herzegovina.

Mr Jadranko Prlic, prime minister of the self-styled Croat state of Herceg-Bosnia, yesterday ordered Bosnian Croat men between the ages of 18 and 60 to report for military duty within 24 hours.

"We have big problems with them [the Moslems] around Mostar. But otherwise I think we have enough men," Mr Prlic said yesterday in a telephone interview. Moslems outnumber Croats, who comprised 17 per cent of Bosnia's pre-war population of 4.3m. But Croat forces are better armed and have been bolstered by reinforcements from Croatia.

Bosnian and Croatian radio yesterday reported heavy fighting in Mostar, on the Neretva river. Recent attempts by the Croats to seize control of Mostar have reduced to rubble the regional capital of southwestern Bosnia-Herzegovina, already heavily damaged last year by Yugoslav army shelling.

Sarajevo radio reported that some 30,000 Moslems were

The UN Security Council was poised last night to approve a three-month extension until September 30, of peacekeeping operations in the former Yugoslav republics. Croatia, where 25 UN soldiers have been killed and 246 others wounded, had wanted only a one-month extension while a broader enforcement mandate to deal with Serb attacks might be negotiated, writes Michael Littlejohns in New York.

But Mr Boutros Boutros Ghali, the secretary general, advised the council that this was not practicable, also rejecting "for the moment" the option of withdrawing UN peacekeepers entirely from Croatia. Earlier, the council had rejected a resolution to lift the arms embargo against the Bosnian Moslems. The US backed the measure, parting company with Britain, France and Russia which had threatened a veto. However, the opponents abstained when the resolution's third world sponsors could muster only six votes.

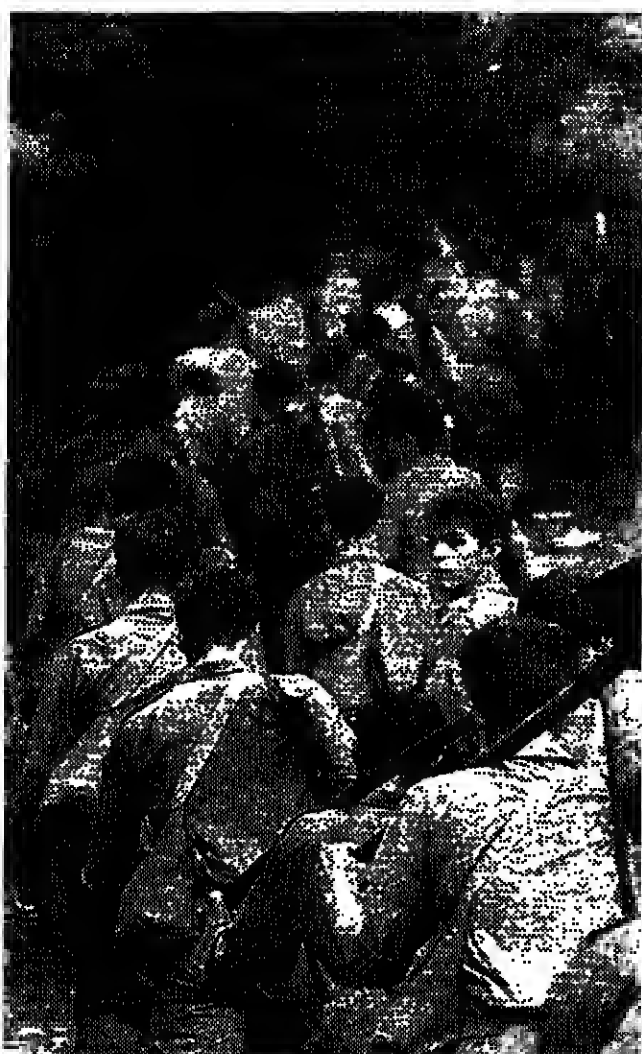
trapped in the city, with no food, medicine or electricity.

The radio said Serbs and Croats yesterday pressed on with their joint attack against the Moslem-led Bosnian army around Maglaj and Zavidovici, Moslem-held towns in north-central Bosnia. Reports said refugees streamed out of Novi Seber, a suburb of Maglaj, which was set ablaze.

Corpses floated down the River Bosna which flows through both towns, according to one report which could not be independently confirmed. UN officials yesterday said Serb commanders had dispatched tanks to fight beside Croat forces around Maglaj. Recent reports say Serb

fighters have rented tanks to their one-time enemies for DM500 (£200) a day. Tanjug, the Serbian news agency, denied that Serbs and Croats had engaged in a joint assault against the Moslems.

The tenuous alliance between Croats and Moslems collapsed in April when Croat forces moved to take control of key towns in central and southern Bosnia, expelling Moslems from territory they claimed was designated as Croat.



A column of teenage Bosnian Moslem recruits on their way to military exercises above Zenica

Deficit reined back in revised Russian budget

Government is trying to meet reform demands by IMF, writes Leyla Boulton in Moscow

THE international Monetary Fund is due today to announce approval of a new \$1.5bn loan to Russia after extracting further market reform steps from the Russian authorities.

The money was expected to be approved by the IMF board yesterday after Mr Michel Camdessus, the managing director, complained earlier this month that the government and central bank were not doing enough to implement a statement of intent promising further reforms.

Since then, Moscow has produced a series of measures to promote reforms which IMF loans, such as this first half of a so-called systemic transformation facility, are intended to support.

Mr Boris Fyodorov, the radical finance minister who sees outside pressure as a tool to help him overcome domestic resistance to painful reforms, yesterday presented to parliament a revised budget adjusted to inflation, and introducing new taxes to increase revenues.

The revised budget proposes a budget deficit of 10.4 per cent of gross domestic product as opposed to 12.2 per cent in the initial budget.

The new taxes include a 7

per cent levy on enterprise revenues to raise subsidy money for coal and agriculture, an increase in oil excises from 18 to 30 per cent, and unspecified excise on gas.

On Tuesday, the central bank increased the rate at which it lends money to commercial banks from 120 to 140 per cent.

This brings it as one western official put it, within striking distance of achieving a promise that by mid-July this rate will not be more than seven percentage points lower than an ill-defined market rate. When the statement of intent

was signed, the latter was just 150 per cent, despite annual inflation of more than 1,000 per cent.

Mr Fyodorov has apparently stuck to limits he set for credit expansion in the second quarter of this year. From today, he has liberalised coal prices, as part of promises to the Fund to remove existing price controls by the end of this year.

Although parliament is expected today to give the government permission to proceed with spending in the third quarter, it is expected to refuse to approve the overall budget.

Having rejected the earlier budget, it is now demanding details on how the government plans to spend money to support the country's ailing enterprises. But the government has so far failed to produce a long-promised industrial policy, partly because of internal divisions on what this should consist of.

Russia is due to receive in the autumn the second half of the systemic transformation facility, which sets weaker conditions than the Fund's traditional standby agreements. Russia has aimed to conclude a standby agreement, releasing a further \$3bn, by October 1.

A night in Paris for price of 3 in Manchester

By Michael Skipinker, Leisure Industries Correspondent

THE most expensive hotel rooms in Europe last year were in Paris, followed by Geneva, Madrid and London, according to a survey by leisure consultants Pannell Kerr Forster.

The cheapest rooms were in Manchester, Birmingham, Edinburgh and Helsinki. The average price paid for a quality hotel in Paris, as opposed to the official rate charged, was FF1,284 (£150). In London, the price was £102.76. In Manchester, the cheapest of all 25 cities surveyed, the average rate charged was £49.37 a night.

Edinburgh offered the biggest discounts on its official rates, with average reductions of 44.8 per cent on offer to the traveller prepared to haggle. Oslo was the second biggest discount at 44.7 per cent, followed by Manchester at 42.8 per cent and Athens with 40.1 per cent. Zurich was the city with the smallest discount, 12.5 per cent, followed by Prague (14.5 per cent) and Berlin (15.5 per cent).

Hotels in Prague had the highest occupancy of any large European city last year, followed by Munich and Athens. Prague hotel occupancy was 71.1 per cent in 1992, compared with 71.5 per cent the

previous year. Occupancy in Munich was 70.4 per cent, compared with 66.6 per cent in 1991. Athens, which had suffered badly during the Gulf war, saw occupancy rise from 59.1 per cent in 1991 to 70.1 per cent last year.

Of Europe's main financial centres, London occupancy increased to 67.7 per cent from 64.3 per cent in 1991 and Paris rose to 67.4 per cent from 62.8 per cent. Occupancy in Frankfurt fell slightly from 70.5 per cent in 1991 to 69.2 per cent last year.

Helsinki was the city with the lowest occupancy, with only 51 per cent of rooms full last year, compared with 53.1 per cent in 1991. Milan had the second emptiest hotels with occupancy of 51.7 per cent, followed by Birmingham (52.5 per cent) and Geneva (54.5 per cent).

Budapest and Prague had the largest number of foreign guests staying in their quality hotels, with 98 per cent coming from abroad. In Brussels and Warsaw, about 94 per cent of guests in quality hotels were foreign. Birmingham had the fewest foreign hotel guests at 10 per cent.

The Eurocity Survey is available from the Hotel Research Department, Pannell Kerr Forster Associates, New Garden House, 78 Hatton Garden, London EC1N 8JA. £500.

Azeri strong man takes command

Chief of private army to be PM

By John Lloyd in Moscow

THE MAN whose private army forced the elected president of Azerbaijan to flee his post was yesterday named prime minister and "supreme commander" of the largely Moslem Caucasian republic.

Mr Surat Huseynov, aged 35, was nominated by Mr Gaidar Alyev, the former Azeri Communist party leader who is now the powerful chairman of parliament. He promised in a speech to the deputies that the creation of a national army to prosecute the war against Armenia in Nagorno Karabakh would be "among his first steps". He also promised to end the country's economic crisis and ensure an adequate supply of food and other products to the population.

As part of an agreement reached out in the past three days between Mr Alyev and Mr Huseynov the new prime minister will control the defence, interior and security ministries, centralising all armed forces under his command.

He told parliament that "the conditions already exist for ending the war which has been fought on Azerbaijan in the immediate future. If diplomatic steps are not successful, then it will be done through war -

and Azerbaijan will win."

Mr Alyev, who assumes the function of head of state relinquished by the deposed President Abulfaz Elchibey, called for the people to unite to end the "civil" war in the country. He blamed Mr Elchibey, president for only a year, for the collapse of the Azeri forces and the capture of Mardakert, the last Azeri-held town in the Armenian-dominated enclave of Karabakh.

Mr Huseynov sought to calm the fears of oil companies which had been expecting to sign a \$40m (£26.6m) deal with the Azeri government this month to develop the rich reserves in the Caspian Sea, saying "the present government approach to this will be more sensible and civilised".

However, he spoke after Mr Sabit Bagirov, head of the state oil company, had given notice of his resignation, saying "I have received indications from our new rulers that I am not wanted." Mr Bagirov had negotiated the contracts with companies including Amoco, British Petroleum and Pennzoil.

Mr Alyev and Mr Huseynov now face the immense task of restoring morale to forces shattered by constant reversals while dealing with the refugee crisis of many thousands.

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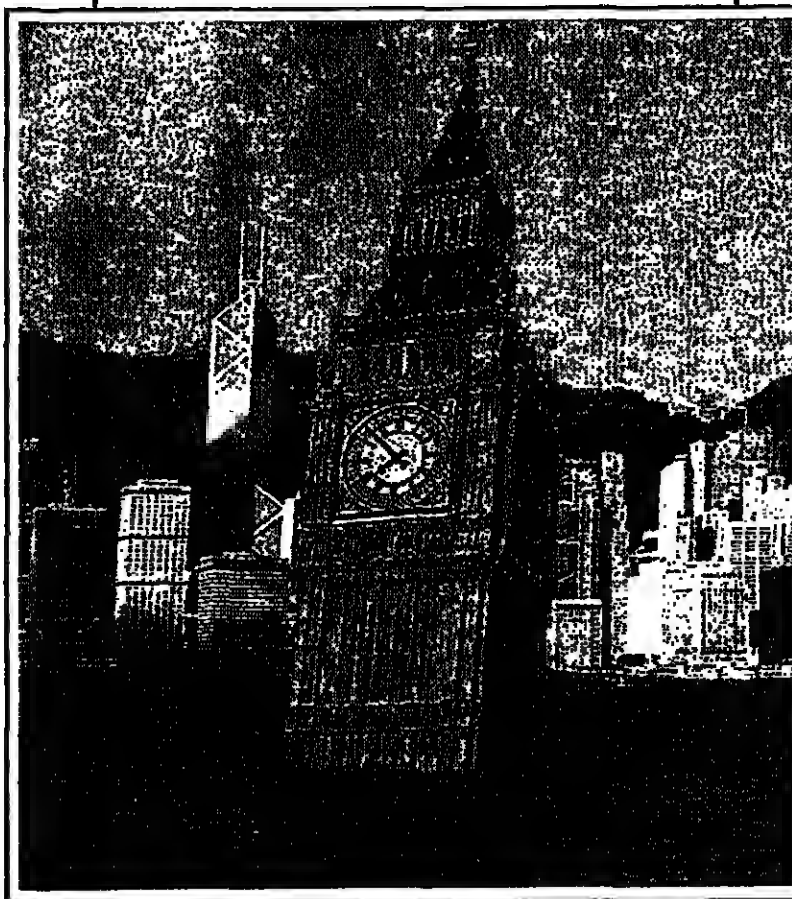
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China moves to cool economic expansion

By Tony Walker in Beijing

CHINA is poised to clamp down on its overheating economy amid reports that its central bank governor has been sacked for failing to impose order on a chaotic financial sector.

Wen Wei Po, a Beijing-affiliated newspaper in Hong Kong, reported yesterday that Mr Zhu Rongji, senior vice-premier, would have his responsibilities extended to include supervision of the People's Bank. His main task would be to enforce tougher credit curbs.

Officials in Beijing have declined to confirm the sacking of Mr Li Guixian, the central bank governor, but there seems little doubt he is being made a scapegoat for an explosion of credit that has fuelled unbridled economic growth.

China's ruling politburo is reported to have convened recently in emergency session to formulate stronger steps to deal with the economic crisis, marked by spiralling inflation and deepening concern over disorder in the financial system.

Cost of living increases are reported to have reached 20 per cent on an annualised basis in the first five months of the year in the larger cities.

Among criticisms of Mr Li are that he failed to control non-bank financial institutions, such as trust companies, that have lent huge sums for investment in property and industrial development zones. This has helped fuel a capital



Zhu: heavy responsibility

spending binge that is one of the main causes of China's economic overheating.

The State Planning Commission reported last week that the economy would grow at 13-14 per cent in the first six months. This far exceeds the 8-9 per cent growth targets for the year, announced in March at the National People's Congress, or parliament.

Recent measures to cool the economy, including credit curbs, appear to have been ineffective. A panicky leadership has clearly decided that more severe medicine is required.

The reported decision to invest Mr Zhu, 65, with greater responsibility for disciplining the economy is a sign of the situation's seriousness. It is also confirmation of Mr Zhu's growing importance, although he can hardly afford to fail in this tough assignment.

Reports of an imminent

reshuffle of China's economic team coincides with a meeting in Beijing of the standing committee of the country's parliament, at which harsh criticism has been voiced of the leadership's financial management.

Mr Cai Cheng, a prominent member of the standing committee, was quoted by Xinhua, the Chinese news agency, as saying poor financial management and weak controls on banks were two of the main reasons for the country's present financial problems.

Mr Cai singled out what he described as a failure to reform China's financial system as a principal cause of the present malaise. "The financial system has not been reformed to suit the market economy," he said.

Vice-premier Zhu Rongji, who has been described as China's economic czar, is regarded as a reformist but has been advocating more decisive steps to regain control of the economy.

However, divisions in the leadership, the poor health of premier Li Peng, who is suffering from a heart condition, and fears of the reform process being derailed have delayed decisions.

A senior Chinese official has attempted to scotch the latest round of speculation that Beijing may soon scrap its special foreign exchange certificates (FEC) in a one-off bid to unify exchange rates. Renter adds from Shanghai.

Mr Yang Xianlin, head of the policy department at the State Administration of Foreign Exchange Control, said he had "received no notification that exchange into FEC will cease", an official newspaper reported yesterday.

"The rumours that the FEC will be abolished are without foundation," he was quoted as saying.

Mr Yang's statement reflects sharpening concern over the future of the FEC, which China introduced in the early 1980s as a special currency for foreigners parallel to its own renminbi yuan.

Repeated rumours that the FEC is about to go have swept the country's markets.

Japan rebels admit to higher earnings

By Robert Thomson in Tokyo

THE rebels who brought down Japan's ruling Liberal Democratic party are either more honest or better investors than their political peers. They admitted yesterday to earning almost 50 per cent more than the party average last year when Japanese MPs disclosed their incomes for the first time.

The 44 pro-reform rebels, who formed the Japan Renewal Party, are apparently better cushioned for the tough limits on political donations that would be part of their reform package.

The JRP members admitted to earning an average ¥30.4m (\$471,000) last year, well above

the all party average of ¥20.9m and the ¥34.8m of their former LDP colleagues. Japanese politicians receive an annual allowance of ¥20.6m, and the extra money comes from interest, dividends, corporate retainers or asset sales.

But the figures announced yesterday do not include funds that publicity-shy politicians have channelled through private companies, relatives or even their young children.

There are at least 51 Japanese politicians who have confessed to being poor managers of their funds - they claim that the only income received last year was the ¥20.6m in parliamentary pay, and not a yen more in dividends, interest

received or appearance fees.

The figures prompted JRP members to explain that the difference in their earnings was a measure of their honesty, but the large gap was an embarrassment. Japan Communist party members were at the bottom of the pile, claiming that their average income was ¥21.4m, while the socialist party members were better heeled at ¥24.1m.

Members of most parties were still nervous yesterday that Japanese prosecutors would strike again before a general election on July 18, and were also concerned that the construction industry has been frightened away from political donations. The prose-

cutors arrested a well-known regional mayor on Tuesday for allegedly taking bribes from construction companies.

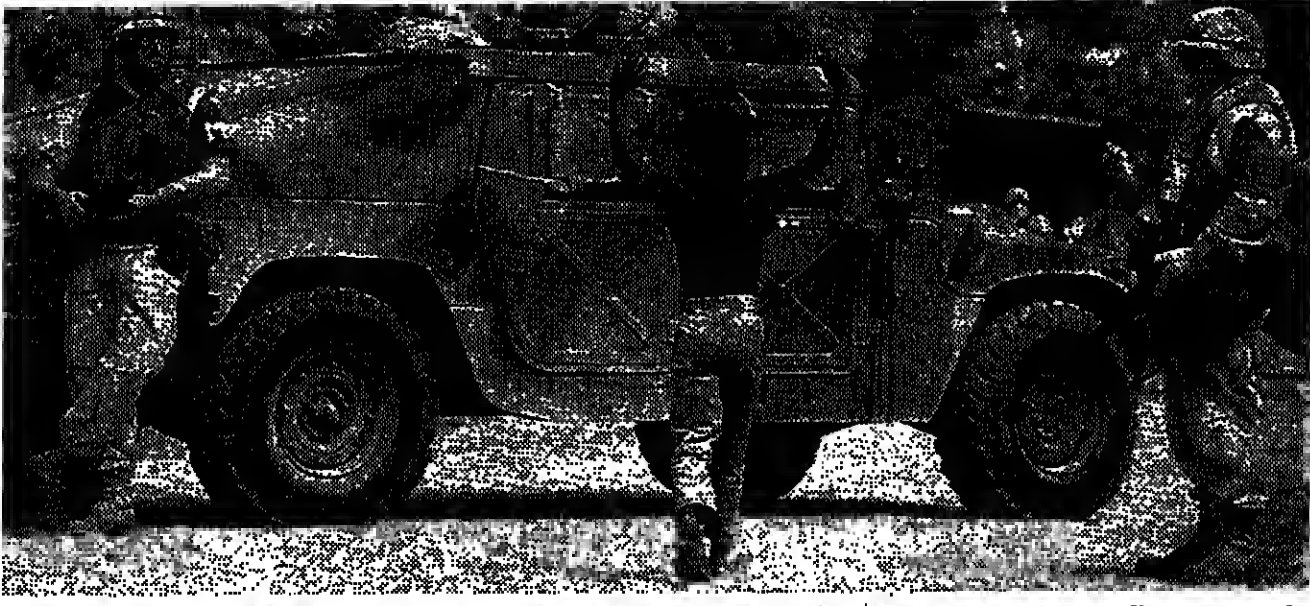
Prosecutors said executives from four leading construction companies admitted to giving ¥100m to the mayor, Mr Toru Ishii, but denied that the money was a bribe. Among the officials in custody is a vice-president from Shimizu, the largest general contractor, whose president, Mr Harusuke Imamura, resigned yesterday from a post at the Keidanren, the federation of economic organisations.

Mr Imamura had been chairman of a committee on decentralisation, and apparently tendered his resignation as a

mark of shame at his company's implication in the scandal. The Keidanren, the country's most important business organisation, immediately accepted the resignation.

The construction ministry said the four companies, Hazama, Nishimatsu Construction, Mitsui Construction, and Shimizu, will be forbidden from tendering for ministry-controlled contracts for between two and four months, while 20 local governments have also imposed bans on the companies.

Prosecutors say the four companies provided funds to Mayor Ishii in an attempt to break into the public works market in northern Japan.



NOTHING TO DECLARE: a Somali boy with hands up passes a US army checkpoint in Mogadishu yesterday. US soldiers have sealed off an area around the airport searching for weapons. Incidents involving Somali gunmen prompted the UN to intensify security

S Africa reconstruction levy sought

By Patti Waldmeir in Johannesburg

AN OFFICIAL of the African National Congress yesterday called for the imposition of a heavy "reconstruction levy" on individuals and corporations in South Africa to finance the building of a "new and more equal" post-apartheid society.

Writing in the Johannesburg Star newspaper, Mr Tito Mboweni, deputy head of the ANC

economics department and one of its chief economic policymakers, argued for a charge to be levied along the lines of Germany's post-war levy, under which individuals and corporations paid half of their assets to the state to help finance reconstruction.

Such a levy is not official ANC policy, but Mr Mboweni's advocacy suggests that the organisation is seriously considering adopting it officially.

Mr Mboweni made clear the levy would be compulsory. "All South Africans who have the ability to contribute financially to the process of reconstruction should do so by law," he added. He said normal budgetary resources were insufficient to finance post-apartheid development expenditure without creating unsustainable budget deficits.

Mr Mboweni sought to reassure South Africans that

"there is no need for anybody to be scared" at the idea of a levy. However, his comments could well give cause for concern to the potential investors now being courted in the US by Mr Nelson Mandela, ANC leader. He is touring the US to raise election campaign funds for the ANC, and to persuade US investors to prepare investments to be implemented once international sanctions are lifted.

Australian pessimism over jobs

By Emma Taggart in Melbourne

THE Australian government admitted yesterday it had little chance of cutting deeply into record unemployment before the end of the decade.

Mr Kim Beazley, employment minister, said there was only a slight chance of the jobless rate falling to pre-recession levels of 6 per cent by the turn of the century. More than 1.8m jobs would have to be created in the next few years.

A small rise in exports, however, has given the gloom-ridden Australian economy a breath of fresh air. The current account deficit in May fell to \$4.5bn (US\$1.6bn), seasonally adjusted, from the previous month's \$4.7bn shortfall.

While the performance was not startling, the jittery market reacted favourably to the near-target outcome. The Australian dollar closed half a cent higher against the US dollar, during the previous two months there had been massive selling of the Australian currency following higher than expected deficits.

The current account deficit for the 11 months to May was \$4.5bn, and the outcome for the year is expected to be near the budget forecast of \$4.5bn.

Vietnam likely to rejoin IMF

By George Graham in Washington

THE CLINTON administration is expected to lift US opposition to Vietnam's reinstatement in the World Bank and the International Monetary Fund, allowing the country to clear its arrears and resume borrowing from the international development institutions.

A plan for France, the UK, Germany and Japan to provide bridging finance to allow Vietnam to clear its \$140m (US\$3.3m) arrears with the IMF has been ready for some time now, but Vietnam's backers have been reluctant to move ahead without at

least an orange light from the US.

Vietnam experts say the country actually has enough currency reserves to pay off the arrears on its own, however the bridging finance would avoid jeopardising Vietnam's economic ratios while opening the door to financing from the IMF, the World Bank and the Asian Development Bank.

President Bill Clinton is caught between US commercial interests, which have watched angrily as other countries entered the promising Vietnamese market ahead of them, and the emotionally powerful lobby of families of US soldiers listed as missing in

action during the Vietnam war.

Mr Clinton's own history as someone who avoided service in Vietnam makes his position particularly uncomfortable, even though congressional support for a warmer relationship with the country has been growing rapidly.

The administration had appeared to be on the point of lifting its opposition to Vietnam's reinstatement in the IMF earlier this year when a document emerged in Moscow which appeared to suggest that Vietnam had not released all the US prisoners of war it held in 1973.

Some officials have

suggested that the US should maintain its own embargo on trade with Vietnam, while agreeing to IMF reinstatement. In order to dampen criticism from the families of US servicemen.

Former President George Bush had outlined a "road map" towards normal relations with Vietnam which paired progress on the missing in action issue with step by step relaxation of US commercial sanctions.

But some US businesses fear this relaxation may be so slow that all the best opportunities in Vietnam will already have been taken up by Australian, Japanese and French companies.

Jakarta wins aid increase

By David Buchan in Paris

INDONESIA'S western donors yesterday raised its aid for the coming year to \$5.1bn, from \$4.9bn, in recognition of Jakarta's "excellent" economic performance and continuing development needs.

But several members of the 18-nation consultative group, chaired by the World Bank since Indonesia's row with the Netherlands over human rights, raised the issue of "good governance", which they said was vital to sustain the country's development. Canada and Belgium were among those said to have taken this line.

Mr Gautam Kaji, the World Bank's vice-president for East Asia and the Pacific who chaired the three-day meeting in Paris, acknowledged some donors brought up the issue of human rights, but said they were pursuing this bilaterally with Jakarta.

Dr Saleh Afif, Indonesia's economy minister, had declined to comment on the concerns in a multilateral forum as, he said, they were being discussed bilaterally.

In a statement, the donors'

group congratulated Jakarta "on the continuity of its sound macroeconomic management and the country's excellent economic performance". In 1992-93 this had resulted in the non-oil sector expanding 7.5 per cent, with a 30 per cent growth in exports.

At the same time the current account deficit fell to 2.4 per cent of gross domestic product. The \$1.4bn improvement in this balance reflected a growth in non-oil exports and a decline in imports, which was larger than expected, the statement said.

Indonesia was again congratulated for reducing poverty from 60 per cent of the population in 1970 to 15 per cent.

But Jakarta was warned it faces growing competition, particularly from newly-liberalised economies among its Asian neighbours, in expanding and diversifying exports and attracting foreign investment.

The donors' group took note of the government's recent de-

Sanctions and missiles fail to shift Saddam

James Whittington on ordinary Iraqis and a resilient regime

THOUSANDS of Iraqis wait outside the Rashid shopping centre in Baghdad to collect their monthly survival packs of government rations. They talk in the lines of the recent US air attacks on the country, the latest news from friends and family who have moved abroad, and the success so far of Iraq's football team in the qualifying rounds of the World Cup.

Many of them like to consider themselves part of Baghdad's well-to-do middle class. But the 200-300 dinar monthly salaries of many of them, the equivalent of between \$66 and \$100 before the Gulf war of 1991, now barely reach double figures in dollar terms.

The US missile attack on Baghdad at the weekend came as a blow to these people who had hoped that the election of President Bill Clinton in the US might lead to a less belligerent relationship and some easing of UN sanctions.

Instead, the economic pressure seems certain to continue with US policy aimed at pushing Iraqis to overthrow President Saddam Hussein.

The rationing system has become a means of survival for most of Iraq's 18m people. Its food basket consists of wheat, rice, sugar, oil and tea but it provides only 68 per cent of the minimum daily energy requirement. Many families are forced to seek other sources of income.

Aid agencies in Baghdad claim that malnutrition is becoming a real problem among the poor and vulnerable, especially in the north and south of the country.

With little means of earning hard currency, and a limited and inefficient agriculture sector, the government is forced to play a precarious balancing act of supply and demand with its strategic reserves and the goodwill of a few remaining countries. The success of the system so far is fundamental to the regime's stability.

Diplomats and aid agency officials in Baghdad say some countries are providing large quantities of food on a credit basis. Countries in South-East Asia provide rice, Sudan

exports meat, and Malaysia supplies palm oil on credit.

Vietnam is repaying old debts in food subsidies, and Jordan has a tacitly UN-approved agreement whereby it supplies goods in exchange for oil. Less legitimate barter deals are reported to be carried out with Iran and Turkey.

Where food is actually paid for, the government has been forced to use some of its gold reserves to preserve its limited hard currency. Hard currency earned from private Iraqi investment abroad is also believed to be channelled into government funds in times of severe food shortages.

The fact that the regime, with extensive help from the UN and aid agencies, has survived is a cause for frustration to those who predicted sudden economic collapse when sanctions were imposed.

What is more, should a total breakdown in the system appear likely, the Iraqi government is permitted under UN Resolutions 706 and 712 to sell \$1.6bn of oil to finance emergency humanitarian relief.

Attempts to control the free market economy, such as the ban last year on luxury goods and the withdrawal of the prized old 25 dinar bank note in May, have failed to curb inflation or stabilise the dinar. But the rationing system has kept a large number of Iraqis from starving.

It is difficult to gauge the true level of popular support for Mr Saddam, but despite the hardships he remains firmly in power. At least one western ambassador in Baghdad argues that the idea that the US air attack on the capital last week should serve as a catalyst for Mr Saddam's overthrow, as US defence secretary Les Aspin has implied, is a misreading. Military confrontation with the west has been shown to consolidate anti-west feeling in Iraq and, therefore, support for the regime and it makes the possibility of a political solution to the problem all the more difficult. While there continues to be no settlement and sanctions remain, it is the poor and vulnerable who suffer.

US reaffirms its role in SE Asia

By Jose Galang in Manila

THE US will continue to provide stability in South-East Asia, Mr Clinton Wharton, US deputy secretary of state, has told regional leaders.

Mr Wharton, in Manila on the last leg of a South-east Asian tour which has covered Cambodia and the six member-states of the Association of

South-east Asian Nations (Asean) - Brunei, Indonesia, Malaysia, Thailand, Singapore and the Philippines - said yesterday he perceived there was, prior to his visit, "considerable concern" that the US was withdrawing from the region. But he stressed this was not the case.

His message had been "well received" in each country he

had visited, Mr Wharton said. There had been "strong appreciation" of his assurance that Washington planned to remain involved in the region, particularly from the standpoint of economic and security engagements.

The US withdrew from its military bases in the Philippines in November last year following the non-renewal of a

treaty covering the installations. American forces still maintain facilities in Japan and South Korea.

Analysts have expressed fears that the US military's pullout could lead to an arms race among the countries in the region, or that a large economic power, such as China, could "fill the vacuum" left by the Americans.

India awaits a signal from the heavens

Stefan Wagstyl observes the vagaries of the monsoon and its immediate impact on the economy

DURING the early summer, the plains of northern India become so hot that even a dust storm comes as a welcome relief to the villagers of Sherpur, a hamlet in southern Rajasthan. The powdery clouds that cover everything in a grey-brown grit obscure the sun and, briefly, the temperature drops. Occasionally, a few drops of rain fall, a harbinger of the monsoon which usually comes at the end of the month.

These are the worst days of the year for Sherpur. Not only must the villagers endure the heat and the dust, but they fret about the monsoon. When will it arrive this year? How high will it be? Will it come at all? Despite the government's emergency food stockpiles, a good monsoon is still a matter of life and death in remote villages. For tens of millions of rural Indians, including the villagers of Sherpur, good rains represent the difference between a year of plenty, when

money can be set aside for a wedding or for a bicycle, and a year of subsistence living. For the economy as a whole, good rains add 1 percentage point to the growth rate; widespread drought can remove at least as much and more.

The residents of India's cities are protected from the extremes of the weather, but they too cannot escape the effects of the monsoon. Even Bombay, the country's most modern metropolis, is subject to the vagaries of the weather.

Last year, the rains came so late that the city authorities started rationing water to prevent the reservoirs running dry. Newspapers ran stories counting down to the day the water was expected to run out. Then on August 12 - two months late - it rained.

In 1981 there were floods. Traffic was brought to a standstill in low-lying parts of the city. The trains stopped running as water washed over the rails. Mr Sharad Kale, the

city's commissioner, or chief executive, says: "Bombay is built on a string of seven islands. We have filled in the gaps but many areas lie at sea-level or below sea-level. You can imagine what happens."

Each day of heavy flooding costs the city millions in lost production, not to mention the damage done to buildings and property.

The Bombay Municipal Corporation is preparing a Rs80bn flood control plan which involves rebuilding drains and sewers, some of which date back to Victorian times. "The trouble is," says Mr Kale, "people want improvements but don't want to pay for them."

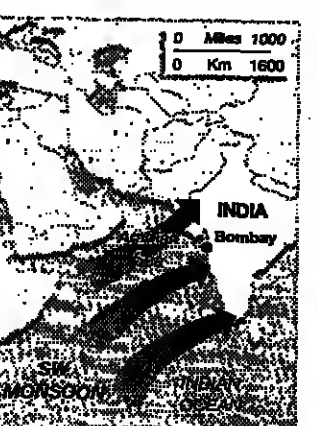
This year's monsoon has started well, bringing good rains to farmers in south India. Keeping to its traditional course, it moved in from the Arabian sea into the south-western tip of India in the first few days of June. From there, it has spread, as

normal across peninsula India towards the east coast. If the usual patterns prevail, it should make a U-turn over the Bay of Bengal and spread across northern India from the east.

However, the usual patterns do not always prevail. The difficulty of forecasting the monsoon has exercised Indians for centuries. Astrologers, priests, and scientists have all tried and failed to find the perfect way of predicting the monsoon.

The burden of forecasting falls heaviest on Mr N Sen Roy, the director general of the country's meteorological office. Mr Roy sits in front of a computer screen covered with black and white patches superimposed on a map of India. With it he tracks the monsoon.

"I can tell you where it is raining now," says Mr Roy, "but I cannot tell you for certain where it will rain in future." For this year, Mr Roy has forecast a "normal" monsoon, meaning one which



brings rains of within 10 per cent of the long-term average. If he is right, it will mean the sixth year in succession of adequate rains. For Mr Roy, the monsoon's scientific interest lies in its unpredictability. He tracks 16 variables, ranging from snowfall in the Himalayas to wind patterns in the southern Pacific.

Handwritten text in Arabic script: "الله اعلم" (Allah knows)

US likely to extend N-test moratorium

By George Graham
in Washington

PRESIDENT Bill Clinton is expected to extend the US moratorium on nuclear testing, howing to intense opposition from Congress to any further such tests.

The extension would also halt any British tests at the US testing site in Nevada, and please the Russian government, which wants neither to incur the cost of further tests of its own nor to encourage any nuclear ambitions among its neighbours, especially Ukraine.

Mr Clinton said yesterday that he had made a decision but was still working on details. He would make a statement in the next few days.

Congress last year passed a nine-month moratorium on nuclear testing that expires today, but it allows up to 15 tests over the next three years.

After an intense debate within the administration, a proposal was submitted to the president 10 days ago for six US and three British tests over the 1993-96 period.

Consultations with members of Congress showed, however, that there was no likelihood that the House of Representatives would accept a resumption of testing, and little support for further tests even in the Senate.

Particularly damaging to the case for renewed testing was

the Defence Department's refusal to commit itself to fitting its nuclear missiles with any safety features developed because of the tests.

Nuclear weapons laboratories have argued that more tests are needed to improve nuclear weapons' safety and reliability.

Mr Clinton is expected to announce a 12-month extension to the moratorium, leaving the possibility of resuming tests in 1996, before the 1996 target date which Congress and the president have set for negotiating a comprehensive nuclear test ban treaty.

Unless other nuclear powers conduct their own tests before then, a resumption appears unlikely, especially as new US tests in 1995 could undercut efforts to win support from other nations for the renewal of the Nuclear Non-proliferation Treaty, which is due to expire that year.

The British government, which had hoped for more tests to help it develop a new warhead for the Trident missile, has little choice but to go along with a US moratorium.

The country most embarrassed by an extension of the test ban is likely to be France, which started the moratorium by announcing that it was suspending its own controversial tests at Mururoa in the South Pacific, but which is keen to conduct more tests to help it modernise its nuclear arsenal.

Uranium process goes independent

By George Graham

THE US today will spin off its uranium enrichment activities from the Department of Energy to an independent corporation, which the administration hopes to prepare for privatisation in two years.

The US Enrichment Corporation will run two uranium plants - at Paducah, Kentucky, and Portsmouth, Ohio - and will have annual sales of about \$1.5bn.

Mrs Hazel O'Leary, energy secretary, said the new company's mandate would be to regain for the US what used to

be a dominant share of the world enrichment market, by changing from a bureaucracy to a business.

The US, which now charges 30-40 per cent more than competitors such as Europe's Eurodif and Urenco consortia, has seen its world monopoly of enrichment services slip to 46 per cent.

One of USEC's tasks will be the reprocessing of weapons-grade, highly enriched uranium from the former Soviet Union into low-enriched uranium for use in commercial power generation.

TV networks to warn on violence

By Martin Dickson
in New York

THE four US television networks, under congressional pressure to shield children from shows displaying violence, yesterday agreed to air warnings to parents just before the start of such programmes.

The agreement - unravelled by senior officials of ABC, CBS, NBC and Fox - comes amid growing concern in Congress about the possible harmful effects of television violence on viewers, particularly children.

Congress members had warned the networks that they might seek legislation to impose a rating system on programmes, similar to that applied to cinema films.

In an attempt to head off such a system, the networks say that they will decide which programmes merit a parental warning, based on the degree and the context of violence shown.

This independent initiative will come into effect in the autumn, the warning being

shown before the start of shows and being available for publication in programme guides.

However, the system does not yet cover the cable television networks, which account for a large and growing slice of Americans' viewing, nor does it extend to cartoons.

Mr Howard Stringer, president of CBS, acknowledged that the networks were likely to lose some advertising business from shows carrying violence warnings.

Mr Reed Hundt, a Washington lawyer known mainly for work in anti-trust litigation, has been nominated by the Clinton administration to head the Federal Communications Commission, the government body which oversees telecommunications and media.

Mr Hundt, 45, would succeed Mr Alfred Sikes, a Republican who resigned in January when Mr Clinton took office.

The new nominee is a close associate of Vice-President Al Gore, who is playing a leading role in communications policy.

Mexico acts on wrong arm of the law

Damian Fraser and Lucy Conger on anti-corruption drive in law enforcement agencies

GOADED by the murder in May of a Roman Catholic cardinal, the Mexican government has recently launched a high-profile clampdown on corruption in the police force and the attorney-general's office.

In two months, Mr Jorge Carpizo, the respected attorney-general, has arrested or dismissed scores of high-ranking police officers, set up an elite anti-drug police unit, and thrown in jail leaders of the notorious Sinaloa drug cartel.

This came after President Carlos Salinas had vowed the killers of Cardinal Juan Jesús Posadas Ocampo would be caught and punished.

The government's moves against corruption are at least partly aimed at satisfying outraged domestic and international opinion. The murder of the cardinal, by presumed drug traffickers, sparked a fury unmatched by any other act of violence in Mexico's recent history, and threatened to damage the president's domestic standing.

In the US, Mexico's attempts to project itself as a modernising, progressive country took a battering. Stories of shoot-outs in the country's second largest airport, and tunnels

dug for drug traffickers between the US and Mexico, dominated coverage of the country, and fuelled concerns over the North American Free Trade Agreement.

But, while the anti-corruption measures have helped the government regain the initiative after Cardinal Posadas was murdered, their effectiveness has been widely questioned. Corruption is so much a part of Mexico's police force - from everyday bribes by motorists to protection money from drug gangs - that until now all reforms aimed at weeding it out have failed.

The previous attorney-general, Mr Ignacio Morales Lechuga, now ambassador in Paris, was once hailed as a moderniser, and he too replaced corrupt officials with what was meant to be a new breed of clean lawyers. Now many of these officials, such as Mr Rodrigo Esparza, former chief of federal police in the west coast state of Sinaloa, have been fired after suspected involvement with drugs.

The centrepiece of the latest initiatives against drug trafficking is the creation of the National Institute to Combat Drugs as an autonomous agency. Modelled on the US



Police action in Mexico: previous clean-up attempts have failed

Drug Enforcement Agency, the institute will lead investigations of the drug trade, arms trafficking and money laundering, create an intelligence system and run operations to

intercept drug traffickers and shipments.

The Salinas initiative requires an overhaul of the federal anti-narcotics squad, notorious for corruption. The insti-

tute's charter calls for splitting the anti-narcotics police from the attorney-general's federal judicial police.

The administration has also arrested 35 people in connection with the shooting of Cardinal Posadas and six others. Mr Joaquín Guzmán Loera, apparently the intended target of the attack and head of the powerful Sinaloa drug cartel, was seized in Guatemala on June 9, and brought to Mexico.

Later, the Mexico City police chief was arrested for his role several years ago in freeing Mr Guzmán Loera after the capital's police had captured him. The attorney-general's office (PGR) also announced the dismissal of 67 federal judicial policemen on suspicion of drug-related corruption, while at least three judges in Sinaloa state are under investigation for allowing the release of suspected drug traffickers.

Despite these dramatic steps, many are sceptical that they will be sufficient to thwart drug traffickers and their ability to corrupt those who stand in their way.

Mr Robert Bonner, head of the DEA in the US, warmly applauds Mexico's tough measures, but says a thorough clean-up would require "taking

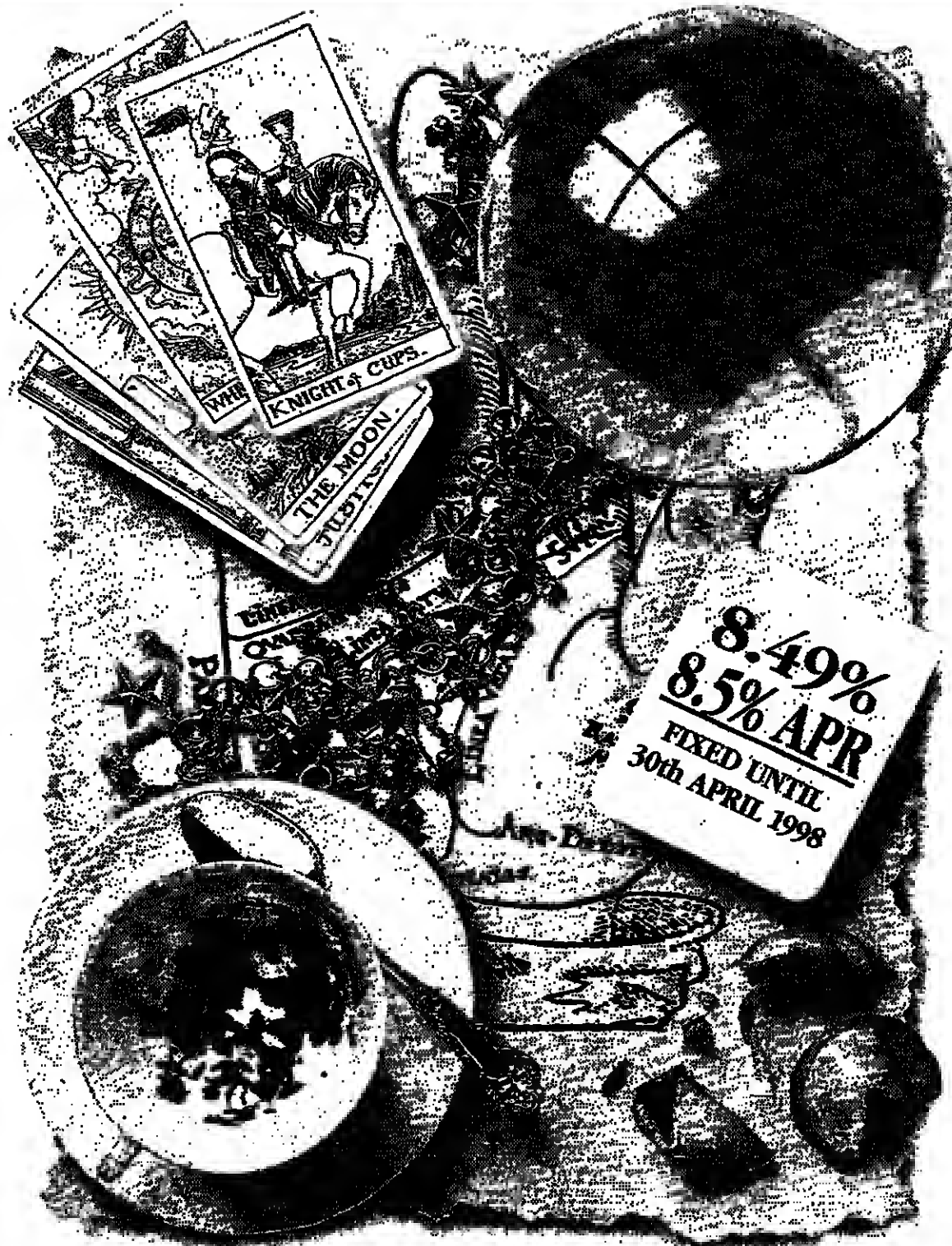
on officials who aid and abet drug trafficking".

"The question is," Mr Bonner says, "how do you professionalise the PGR, how do you develop a justice system that does not let people pay their way out, and others who are arrested go free? ... You cannot just remove the [drug] leaders. We know there are relatives and others who will replace them - you have to go to remove totally the infrastructure of the organisation."

Mr Bonner suggests some institutional changes that might cut the incentive to take bribes. One reform would eliminate the practice of senior police jobs being auctioned off to the highest bidder, and another an end to the custom of a *madrina*, a freelance agent who works alongside policemen, being paid a commission of goods confiscated in police operations.

Such reforms may be in the making, and would be popular with most Mexicans, fed up with bribing police and being victimised by gangs who enjoy police protection. But they would also end a lucrative source of income for government and police officials, whose basic salary is low and expectations of wealth high.

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Russia calls for 'trade not aid' treatment

Leyla Boulton on Moscow's need to be treated as 'normal' – but with help from its friends

PRESIDENT Boris Yeltsin and his government are demanding an end to trade "discrimination" against Russia as it struggles to switch to a market economy and Mr Yeltsin intends to make the point when he meets leaders of the Group of Seven industrial countries at their Tokyo summit next week.

"We want Russia really to become an equal member of the world financial and trading community," says Mr Alexander Shokhin, the deputy prime minister responsible for Russia's foreign economic relations.

In the past few weeks, Russia has demanded rapid admission to the General Agreement on Tariffs and Trade and refused to sign a partnership agreement with the European Community on the grounds that it provides insufficient access for Russian goods and services to EC markets.

Last week, Mr Viktor Chernomyrdin, the Russian prime minister, called off a visit to the US in protest against sanctions imposed by Washington because of a \$350m Russian contract to supply rocket engines to India.

According to Washington, the deal violates international agreements to limit the proliferation of missile technology which India says it needs for a peaceful space programme. Russia says the US simply wanted its companies to get the deal.

Closer to home, Russia is demanding that western loans be given to other newly-independent former Soviet republics to pay for Russian energy supplies. The beauty of this scheme, which the west does not even want to discuss until the Tokyo summit is out of the way, is that

Russia would get new western funds while the other republics would get new debt.

"The fact that Russia is negotiating aggressively on trade shows that it's becoming a normal country," said one western diplomat. "The controversy arises from the fact that it expects better than average treatment as part of western support for reforms."

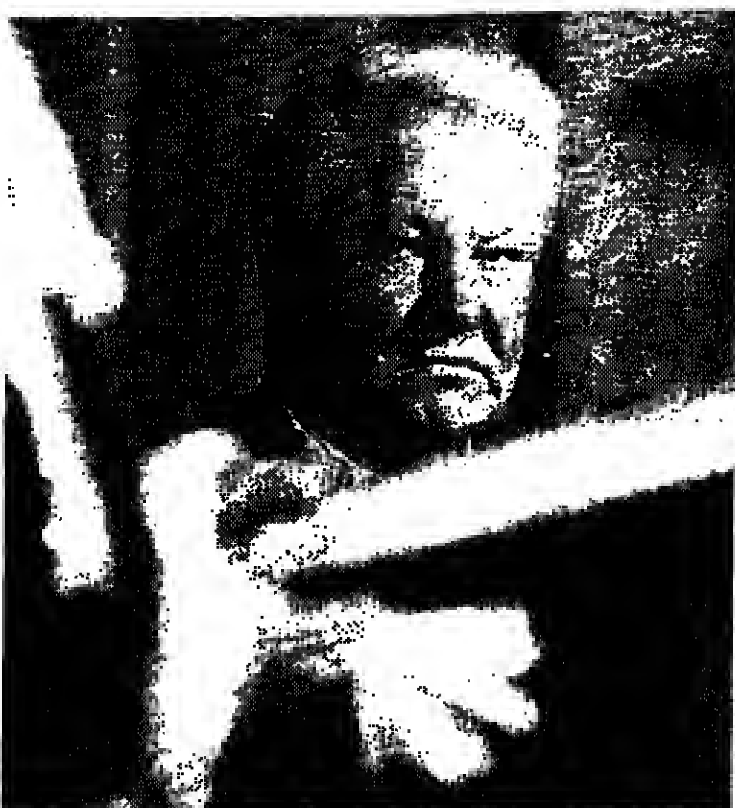
Some of the Russian complaints about discrimination are a negotiating tactic since even Russian officials acknowledge that they do not want to expose the country to foreign trading competition all in one go – which is what speedy admission to GATT, for instance, would imply.

But public posturing notwithstanding, Russia's demand for "trade not aid" threatens vital western interests in a way which earlier forms of assistance have not.

The conflict is particularly acute for the EC, Russia's close neighbour and biggest trading partner, which needs to reconcile the desire to help Russia with pressure to protect EC jobs and companies from competition from the east.

Access to western markets happens to be one of the most effective forms of support the west can give Russian market reforms. It enables Russian enterprises to help themselves rather than demand subsidies from the government. It avoids the risk of Russia's inefficient state bureaucracy squandering direct grants from western governments. It also makes western demands for faster market reforms in Russia more credible.

"Jeffrey Sachs [the Harvard professor turned Russian economic



Yeltsin, left: something to tell the G7, and Chernomyrdin: protest at US sanctions



adviser] is telling the Russians to restructure or close down their factories. I say we should close ours," said one western diplomat.

However, controlled domestic energy prices, the fact that many Russian enterprises have only a poor idea of what their costs are and the

desire of many to make precious hard currency by pricing their exports cheaply, are all presented by western competitors as arguments for maintaining restrictions on imports from Russia.

Exports of natural gas and oil needed by western Europe account

for the fact that Russia has a trade surplus with the EC. But while there is no demand for most Russian industrial goods, the few which are in demand face restricted access on the grounds that Russia is not yet a market economy.

The EC operates quantitative

restrictions on steel and textiles, and in effect limits imports of enriched uranium by requiring a licence for each deal. It is soon to decide whether to slap anti-dumping duties on Russian aluminium imports, which last year sharply drove down western aluminium prices and hurt western producers.

But with much of the EC steel industry already in the throes of painful restructuring, and no similar changes yet in evidence in Russia, even free traders within the European Commission, who are sympathetic to Russia's case, say it must make more progress with market reforms to obtain better access. In that spirit, Sir Leon Brittan, the commissioner responsible for foreign economic relations, says a review clause contained in the co-operation and partnership deal could transform it into a free trade agreement in three years.

Trade could certainly be useful as an incentive for Russia to speed up domestic reforms. In a move which should help strengthen Russian manufacturers' case in the face of accusations that they benefit from unfair energy subsidies, the government plans to free coal prices from today and domestic oil and gas prices by the end of the year.

Russia is also putting the finishing touches to a market-sharing compromise with the US and the EC which could show the way in other sectors and will give it the right to conduct 12 commercial satellite launches between 1995 and 2000. This is despite fears at western Europe's Arianespace that it could be wiped out by Russia's ability to conduct launches at half its cost.

Senators try to protect fast-track authority

By Nancy Dunne in Washington

THE US Senate's Democratic leaders were preparing yesterday to fight off an attempt to amend the "fast-track" negotiating authority the president has to complete the Uruguay Round of international trade negotiations by December 15.

Senator Fritz Hollings, a Democrat supporter of the textile industry, said he would try to attach an aggressive provision – called Super 301 – to the fast-track authorisation. Super 301 has loopholes which let the administration avoid imposing sanctions but is disliked by US trading partners, who see its listing of "unfair traders" as US unilateralism.

The US administration, hoping to avoid a battle, has asked for a "clean" fast-track, free of measures which would offend US trading partners. Lobbyists yesterday were asking senators not to "embarrass" the president by discussing trade at the Tokyo summit next week.

In the hope of harmony at the summit, the administration yesterday delayed announcing sanctions in its dispute with Japan over access to the construction market.

But the administration's entire trade agenda looks fragile. A US federal judge yesterday ruled that the North American Free Trade Agreement with Mexico and Canada violates the National Environmental Policy Act.

Meanwhile, the "road" talks – the US, Japan, the EC and Canada, meeting in Toronto – are stuck over a US retreat from the Bush administration's position on reduction of textile tariffs. Ms Jennifer Hillman, chief textile negotiator, has accepted US industry insistence that the quota phase-out be tied to "substantial" market access commitments, especially from the developing countries.

Finnair goes back on Boeing order

By Hugh Carnegie in Stockholm

FINNAIR, the loss-making Finnish national airline, yesterday said it had decided not to proceed with plans to replace its 10 McDonnell Douglas and Airbus wide-bodied aircraft with Boeings because of the cost.

The airline announced in April that it had signed a letter of intent with Boeing and

International Lease Finance Corporation that envisaged the replacement of Finnair's entire 44-strong fleet with a new fleet based on the Boeing 777 and 737 families of aircraft by the end of the decade.

Since then Finnair has reported losses after financial items in the year to the end of March 1993 of FM415m (\$72.8m), more than double the loss the previous year, and warned of a hard year ahead.

Taiwan disk plant for NE England

By Chris Tighe

ONE of Taiwan's largest electronics companies, CMC Magnetics Corporation, announced yesterday it is to set up a £26m (\$39m) floppy disk production plant at Cranlington, Northumberland, in the north-east of England, creating 550 jobs over three years.

The plant, with an annual output target of 120m disks,

will sell in the European market, and eventually to North America. It is to receive £8.25m in regional selective assistance. Mr Tim Eggar, a UK energy minister, said during a visit to Northumberland.

The project is the UK's fifth manufacturing inward investment from Taiwan, and the third in Northumberland.

Production is to start in the autumn and 100 jobs will be created in the first year.

Norway power warning

By Karen Fossli in Oslo

THE Confederation of Norwegian Business and Industry (NHO) yesterday warned the government that a dual-pricing system was emerging for domestic and export electricity contracts, threatening to undermine the competitiveness of Norwegian industry.

Norway is the most advanced of any European country in liberalising its electricity market, allowing exports on a concession basis,

but the NHO yesterday said the government must also allow free access to electricity imports, in order to stop dual pricing.

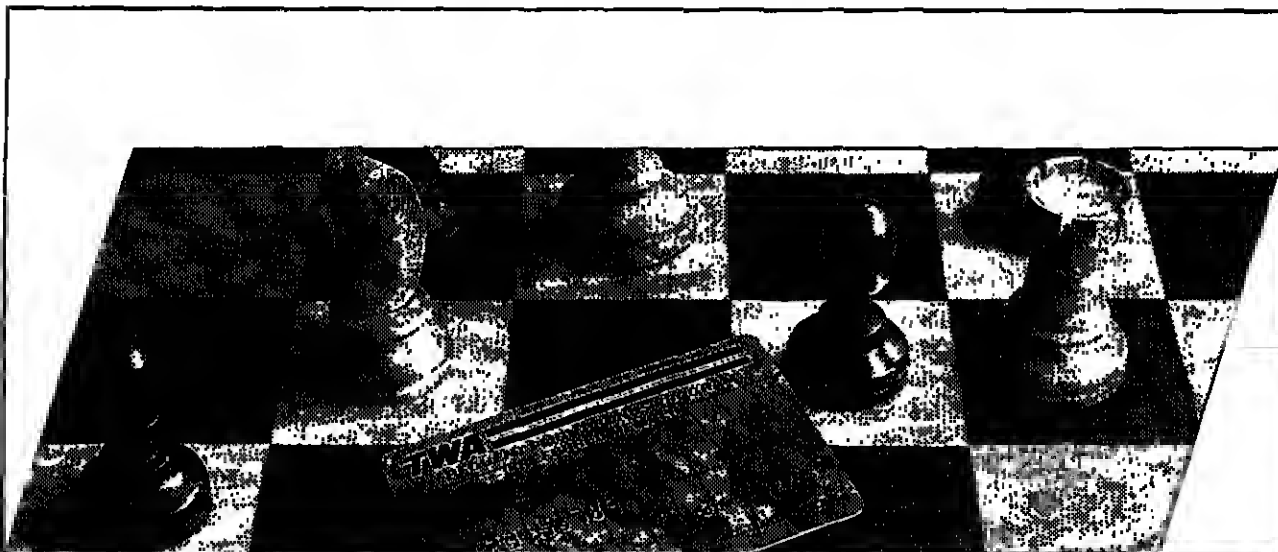
"What we are seeking to avoid is profits being made from expensive domestic contracts, while cheap export contracts covering surplus power are agreed," said Mr Karl Glad, an NHO executive.

He warned in a letter to Mr Finn Kristensen, industry and energy minister, of electricity price differentiation, price manipulation, dumping and

monopolistic tendencies by Norway's big electricity producers.

He said costs for new transmission cables between Norway and the rest of the continent were being subsidised by high domestic electricity prices.

NHO is particularly sceptical of a recent supply contract agreed by Statkraft, the domestic power company, and Germany's PreussenElektra. The 25-year deal covers the equivalent of twice the annual electricity consumption by Oslo.



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Agency accused of forging politician's letter ■ Attorney General refutes Nadir claims ■ MPs sceptical

Storm over Serious Fraud Office takes new twist

By Alison Smith

THE POLITICAL storm over the activities of Britain's Serious Fraud Office (SFO), the agency overseeing financial crime, took a new twist yesterday as a senior politician made fresh allegations over its handling of an investigation.

The accusations came straight after Sir Nicholas Lyell, the attorney-general, had responded in detail to the sensational claims about the SFO's handling of the case against Mr Asil Nadir, the former chairman

of Polly Peck International, who fled earlier this year from Britain where he faces criminal charges.

Concern among MPs was intensified by the revelation that an SFO official had last year forged a letter purporting to come from Sir David Steel, a senior Liberal Democrat MP, in a separate case, related to the collapse of the Bank of Credit and Commerce International.

Sir Nicholas said he had apologised for the forgery, which he admitted was "a very serious error of judgment, a stupid thing to do".

and said that the matter had been dealt with internally.

Sir David said that from October 1991 he had raised with the then attorney-general the handling by the SFO of the investigation of Control Securities, whose chairman and chief executive, Mr Nazim Virani, he knew slightly.

In March 1992, Mr Virani was charged with an offence of conspiracy to defraud, and just before the first court hearing, at which the SFO opposed bail, an SFO official showed his solicitor a letter purporting to be

from the MP, saying that he would be attending the hearing.

Separately, Sir Nicholas's insistence that there was no basis for an independent inquiry into the charges made by Mr Michael Mates - the former minister who resigned over his links with Mr Nadir and subsequently accused the SFO of a conspiracy against the businessman - was broadly accepted at Westminster. But the opposition is still determined that the names of the other MPs who made representations on behalf of the fugitive businessman

should be disclosed.

Supporting his argument with the publication of an edited version of the correspondence between himself and Mr Mates, Sir Nicholas went through the accusations in the former minister's extraordinary resignation statement in the House of Commons on Tuesday.

On the most serious claim, that the SFO had tried to put "improper pressure" on the trial judge, he said that the alleged conspiracy to bribe the judge was being separately investigated by the police under the

supervision of the director of public prosecutions. This had revealed no "credible evidence" implicating the judge personally, he added.

Mr John Fraser, Labour's legal affairs spokesman, expressed some scepticism at the claims Mr Mates had made, but shared the unease expressed by several MPs at the idea that the SFO sought to generate publicity for arrests, and gave the media advance information about arrangements.

Editorial comment, Page 17

MPs urge government to offer UN more troops

By David White, Defence Correspondent

BRITAIN'S influence in the world will suffer unless it provides more forces to match the increase in UN peacekeeping operations, a committee of MPs said yesterday.

The cross-party Commons defence committee, which has attacked government plans for cutting army manpower, said it would expect the Ministry of Defence to show it had sufficient forces to meet peacekeeping commitments.

It said the UK had been unable to make a valuable contribution in Somalia by sending ground troops, a decision apparently dictated by the availability of forces and funds.

"If the increase in UN peacekeeping operations is not matched by at least something approaching a commensurate increase in UK participation," the committee said, "the UK's voice in international affairs will lose authority, and the operations themselves will be less likely to succeed."

Its report criticised delays in equipment projects which hampered British forces' capacity to intervene effectively. Despite the recent order of a helicopter carrier, to be built jointly by VSEL and Kvaerner Govan, Britain's amphibious intervention capability would be "threadbare" for the next five years, it said.

The committee also called for an immediate decision on plans for new troop-carrying helicopters, attacking the ministry for "apparent prevarication" and "inaction".

However, it recognised that the UK could not join every peacekeeping operation, recommended it should participate only where its particular skills were needed, and warned that British forces could not continue indefinitely supporting humanitarian aid in Bosnia while coming under direct attack.

Once UN forces lost the consent of local militias, "either the mandate will have to be changed or forces withdrawn," it said.

Edinburgh shuts door on Le Pen

By David Gardner in Brussels

MR Jean-Marie Le Pen, leader of France's National Front, has been forced to cancel a meeting in Edinburgh next week for 14 right-wing Euro-MPs, after hotels there refused to host it.

Mr Le Pen is instead to try to hold the meeting in Dublin. It is one of a controversial series of meetings of the European Right group in the European Parliament, which are being financed by EC taxpayers.

Parliament officials in Brussels said the Edinburgh Sheraton cancelled the Le Pen group's reservations, and that parliamentary staff had refused to help in finding an alternative.

Edinburgh's city council had also denied the group access to its premises.

Mr Le Pen was seeking reservations at the Fitzpatrick Castle Hotel in Dublin, they said.

The European Right group issued a statement yesterday protesting that the hoteliers of Edinburgh were forced by threats to refuse any meeting in Scotland next week.

Mr Glyn Ford, a leader of the UK Labour party in the European Parliament, said he was "delighted the people of Scotland have shunned this odious man", and was sure the people of Dublin would also be outraged at the group's attempt "to peddle their evil message" there.

Chemical sector spends £1bn on environment

By Paul Abrahams

BRITAIN'S chemical industry spent more than £1bn on the environment last year, representing about 3 per cent of the industry's £29.5bn turnover, according to the industry's trade body.

The Chemical Industries Association (CIA) said the UK chemical sector was the first British sector to publish its spending and environmental emissions. It was also the world's first chemical industry to publish such statistics. Mr John Cox, director general, said the statistics would form a model for other industries.

The CIA reported that between 1990 and 1992, environmental spending increased from £690m to £1,032m. Capital expenditure on the environment rose from £184m to £305m. As a proportion of total capital spending it rose from 8 per cent to 14 per cent. Environmental operating costs rose from £646m to £727m.

Discharges of red list substances - a list of 23 groups of chemicals defined by the government as being unwelcome in aqueous waste - fell 40 per cent from 403 tonnes in 1990 to 243 tonnes in 1992.

The levels of special wastes - a list of 29 classes of chemicals which require particular

attention - disposed of outside chemical sites fell 9 per cent from 253,900 tonnes in 1990 to 231,800 tonnes last year.

These emissions, however, increased from 213,700 tonnes in 1992. The CIA said this was because companies had been closing down sites and disposing of waste such as asbestos.

The industry's energy consumption fell 19 per cent between 1987 and 1990, although output rose 112 per cent. Energy consumption per unit of output fell 61.6 per cent.

Environmental indices created for the 114 sites between 1990 and 1992, showed 84 had improved their performance, while 30 had deteriorated.

Mr Jim Whiston, head of health, safety and environment at Imperial Chemical Industries, said this showed the industry was credible measures. Friends of the Earth, the environmental pressure group, called for the industry to publish a complete record of all toxic emissions.

"The industry is generally improving, but it has a long way to go," said Mr Whiston.

The figures were collected from about 256 locations, representing about 75 per cent of the CIA members' sites, 88 per cent of the capital investment and 62 per cent of the entire industry's capital base.

And finally... News at Ten remains on time



Trevor McDonald, pictured above, is the bulletin's latest anchorman, following a recent US-style revamp.

News at Ten, news flagship of Britain's commercial TV stations, is one of Britain's longest-running programmes. Famed for breaking big news and a popular style, it introduces each bulletin with the theme of Big Ben, from the historic clocktower close to Parliament, on the banks of the Thames in Westminster. Recent plans to move the 10pm bulletin programme to an earlier slot, to make room for a new evening news programme, have been rejected by the public.

NEWS AT TEN, ITV's flagship television news programme, is to keep its traditional slot for the foreseeable future after a wave of political protest at suggestions that it might move to an earlier time, writes Raymond Snoddy.

The ITV companies who were suggesting the programme should be moved, possibly as early as 6.30pm, yesterday backed down in the face of firm opposition from the Independent Television Commission (ITC) and growing parliamentary pressure which

included a letter from Mr John Major, prime minister expressing concern.

Sir George Russell, ITC chairman, yesterday wrote to the chairman of all 15 regional ITV companies warning them that they risked being in breach of their broadcasting licences if they moved the main evening news programme without ITC permission.

Eight of the companies had proposed running the main evening news at 10pm in their bids for new franchises and the

● An audience of more than 8m usually outstrips its BBC rival, shown at 9pm, and puts it in the country's top 30 programmes.

● The 10pm slot was chosen more than 25 years ago to coincide with votes in the House of Commons

● Some ITV companies want to move it to an earlier slot so they can show big budget Hollywood films at peak viewing time

● Its newscasters are journalists of influence. Sir Alistair Burnet, who retired last year as the main anchorman was a former editor of The Economist and Daily Express

● Michael Green, chairman of Carlton Communications last year took over ITV, formerly owned by 15 regional ITV companies. Six ITV companies are still shareholders but they also brought in Reuters, the international news group

● The last Labour government led by James Callaghan fell during five News At Ten coverage from parliament

● Under government legislation, at least 51 per cent of ITV has to be held in non-ITV hands by the end of next year.

● New chief executive David Gordon is determined to make ITV more international and one day compete with CNN and BBC World Service Television

● Recent ITV scoops have included interviews with Asil Nadir and Lord McAlpine former treasurer of the ruling Conservative party on secret overseas donors

● And Finally... ITV usually ends on a light item to send viewers more cheerfully to their beds

ITC legal advice is that these commitments represent core obligations of their broadcasting licences.

Earlier, Mr Peter Brooke, National Heritage secretary had suggested that generally hostile parliamentary opinion on the News At Ten issue might also have flowed over to ITV ownership issues as well.

A number of large ITV companies want to see a relaxation of the rules to allow the nine largest companies to take each other over. Such a move, if the

government decides to go ahead, would have required a resolution in both houses of parliament.

Although the ITV companies could challenge the ITC interpretation of its powers in the courts this is unlikely.

ITV executives conceded last night that the idea of moving ITV to the early evening which came out of a strategy conference last month had been an "own-goal" and that a detailed business assessment of the move had never been prepared.

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FT SURVEYS

Motorists face police checkpoints as part of anti-terrorist scheme

City to get security cordon

By Gillian Tett
and Richard Tomkins

AN ANTI-terrorist security
cordon is to be enforced
around the City, London's
financial quarter, in a bid to
frustrate bomb threats in the
capital, the Corporation of Lon-
don said yesterday.

The government has
approved a series of tough
measures, which include ring-
ing the City with 24 hour
police checkpoints, following
mounting concern at recent
bomb blasts, according to Mr
Michael Cassidy, chairman of
the police committee at the
Corporation, the City's local
authority.

The checkpoints, which
will have the power to
monitor and stop any suspi-
cious vehicles, will be put into

operation within days.
Mr Owen Kelly, the commis-
sioner of the City of London
Police yesterday met with Mr
Cassidy to finalise details of
the security plan, which will
place checkpoints on the six
main entrances into the Square
Mile, blocking off all other
entry roads.

Against a background of
mounting concern that the
measures might be seen as an
propaganda coup for the IRA,
the Corporation of London was
at pains to down play the
move, pointing out that the
surveillance of vehicles was
already underway in the City,
following the Bishopsgate
bombing two months ago.

"This is not a 'ring of steel'
around the City as some of the
papers have called it," Mr Cas-
sidy said. But he admitted that

the checkpoints represented
the first stage in a broader set
of security measures now
being discussed with the police
and government departments.

These proposals, which
include restricting non-essen-
tial vehicle access to the centre
of the City, and increased
police and video camera sur-
veillance, are likely to be
announced today.

City businesses and banks
yesterday gave the proposals a
cautious welcome, although
they stressed that until the
fuller set of proposals were put
into force it was impossible to
predict the measures' likely
impact on the City's reputation
as a financial institution.

"As long as emergency
vehicle access was maintained,
and the City was able to func-
tion as a financial institution,

we would welcome the tight-
ening of security," the Stock
Exchange said.

Nevertheless, the proposals
have been greeted with con-
cern by some government offi-
cials, particularly in the
Department of Transport, amid
fears that the scheme could be
a interpreted as a limited suc-
cess for the IRA, which has
claimed responsibility for re-
cent blasts, and create traffic
congestion.

The City of London police
yesterday refused to reveal
when further security mea-
sures were likely to be imple-
mented, although they
acknowledged that they were
currently seeking approval
from the Secretary of State for
Transport for their own sepa-
rate scheme for extra traffic
surveillance in the area.

Arms probe told of MI6 hunt for gun components

By David Owen

MI6, the intelligence service,
was involved in Europe-wide
efforts to hunt down supergun
components for an Iraqi supergun
beginning in 1989, the Scott
inquiry into arms exports
heard yesterday.

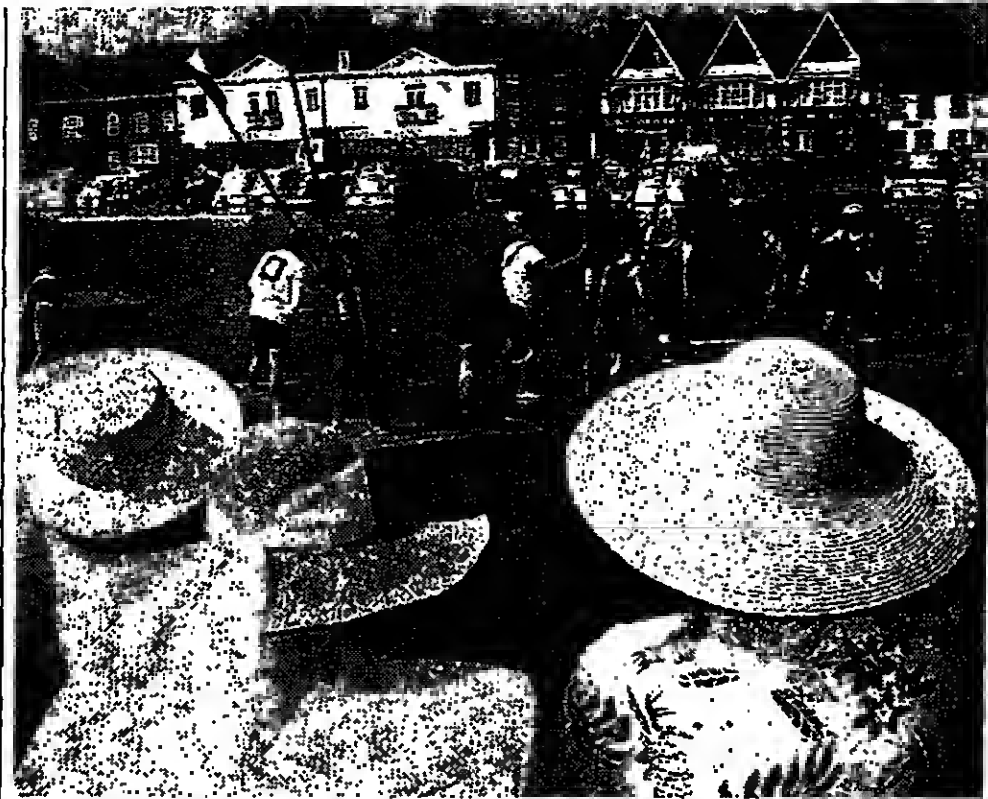
Mr David James, chairman
of Eagle Trust - whose subsid-
iary Walter Somers made
supergun components, gave a
detailed account of previously
undisclosed meetings he had
with the intelligence agency in
the weeks leading up to the
seizure by Customs of eight
1,000mm diameter tubes des-
tined for Iraq in April 1990.

He dismissed suggestions
MI6 might have known before
1990 that British companies
were manufacturing supergun
components and engaged in a
cover-up. Such claims would
not be consistent with the
"behaviour pattern" or
"enthusiasm to pursue every-
thing" of the individuals he
dealt with, he said.

Mr James said the initial
contact with MI6 took place at
his instigation in March 1990
after his suspicions had been
aroused by three tubes, des-
tined for Iraq, which he had
examined at Walter Somers' north of England plant the
previous January.

MI6 explained that the
details he had given were
incompatible with the dimen-
sions of the parts for the
"monster" gun they were
looking for with other Euro-
pean intelligence agencies, but
that the tubes might be part of
a prototype for this larger
model, Mr James said.

MI6 said the larger gun
would be capable of firing a
tonne of anthrax a distance of
some 1400 miles, bringing Tel
Aviv within range of Baghdad.
The inquiry continues next
week.



Henley Royal Regatta, a bastion of amateur sport and part of the traditional British summer season, started yesterday. A Harvard University eight from the US is among the favourites for the Thames Cup and the German national Hansa Dortmund crew is tipped to win the Grand

British Rail and subsidiary give rival versions of accounts

By Richard Tomkins,
Transport Correspondent

AN EMBARRASSING rift
opened yesterday between Brit-
ish Rail and its InterCity sub-
sidiary as the two published
widely differing versions of
how much profit InterCity had
made last year.

British Rail announced that
InterCity's operating profits
had slumped from £90.6m the
previous year to £65.1m
because of the recession. But
InterCity announced that a
combination of cost-cutting
and innovative marketing had
enabled it to push operating
profits up from £2m to £10.9m.

The discrepancy arose as
British Rail published its
annual results for the year to
March using new accounting
standards that boosted the
group's profit and loss account
by more than £100m.

Under the old accounting
system, the recession-stricken
railway would have reported
pre-tax losses going up from
£144.7m the previous year to
£250m-£300m - the group's
worst financial performance
since 1985.

Under the new system,
intended to bring BR's results
more into line with normal
commercial practice, group
pre-tax losses appear as

£163.9m compared to a restated
loss of £24.6m the previous
year.

BR used the new accounting
system to calculate InterCity's
operating profit. But InterCity
separately announced its
results under the old account-
ing system, which appeared to
show a profit increase.

The opposition Labour party
and trade unions accused BR
and the government of using
"accountant's sleight of hand"
to make the results look better
in the run-up to the railways'
privatisation.

Observer, Page 17
Lex, Page 18

Nissan UK director jailed for 8 years

By John Mason,
Law Courts Correspondent

MR MICHAEL Hunt, the
managing director of Nissan
UK, the former West Sussex
based car importers, was yester-
day jailed for eight years at
Southwark Crown Court for his
part in Britain's largest
ever tax fraud.

This followed his conviction
last Saturday for conspiring to
defraud the Inland Revenue of
£55m in corporation tax by
helping to artificially inflate
freight charges for Nissan cars

imported to the UK from
Japan. When interest is added,
the total loss to the public
purse from the fraud is esti-
mated to be over £37m.

His co-defendant, Mr Frank
Shannon, a former finance
director with the Worthing-
based company, was sentenced
to three years imprisonment
after admitting, before the trial
began, to one offence of cheat-
ing the revenue.

Sentencing Mr Hunt, the
trial judge, Mr Justice Gate-
house, said the offence was "in
a category of its own. You real-

ise that this is an offence
which is so serious that only a
custodial sentence is appropri-
ate. An immediate custodial
sentence which is bound to be
a long one."

Sentencing Mr Shannon, the
judge said his offence - help-
ing to defraud the revenue of
£17m over a one year period
between November 1985 and
October 1986, was a less seri-
ous crime. He also gave him
credit for his guilty plea and
his co-operation with the
Inland Revenue.

During the two month trial

the prosecution said the fraud
was by far the largest ever per-
petrated on the Inland Revenue.
The "prime mover" behind
the fraud, it alleged, was Mr
Octav Botnar, the company's
chairman who remains in
Switzerland.

The Inland Revenue will now
start civil proceedings to
recover some of the £57m from
Mr Hunt. Mr Shannon has
already reached a settlement
with the revenue, having
agreed to repay £10m. Both
were barred from being com-
pany directors.

Britain in brief



Police attack radical plan for force

The government was warned
by the Police Federation yester-
day that it risked "open
conflict" with the police ser-
vice if it adopted radical pro-
posals for changing pay and
conditions.

Recommendations from a
government-appointed inquiry
chaired by Sir Patrick Sheehy,
chairman of BAT industries,
constitute one of the most rad-
ical packages of change ever
proposed in the public sector.
It would lead to all police offi-
cers being employed on limit-
ed-term contracts, with pay
related to individual perfor-
mance and the demands of
particular jobs.

The Police Federation,
which represents all officers
up to the rank of chief inspec-
tor, said the recommendations
would turn police work from a
vocation into a "job like any
other job". That would have
serious implications for the
way the service operated.
Mr Michael Howard, home
secretary, will decide what
action to take in September.

Coal output rises by 23%

Productivity at British Coal
has risen 23 per cent over the
last year. Output is now 8.5
tonnes a man-shift. Mr Neil
Clarke, chairman, said im-
proved efficiency was the
best way of ensuring a future
for threatened pits.

Sick leave levels cut

The number of days council
workers in London take off
sick has dropped by a third
over the past year, following
an investigation by the Audit
Commission, the public sector
efficiency watchdog.

A highly critical study by
the commission, published in
1990, found that sickness
absence averaged over two-
and-a-half times the national
norm in the 10 London coun-
cils studied in detail. The cost
of this excessive absenteeism
was calculated at £25 a head
for each local taxpayer within
the councils' boundaries.

The follow-up report found
that time off has been cut from
an annual average of 16.7 days
per employee in 1990, to 11.5
days in 1991-92.

Public spending proposals

Higher spending on education
and reductions in key areas of
social security spending were
urged yesterday by the Con-
federation of British Industry.
The suggestions are part of a plan
to help industry while cutting
the £50bn government deficit.

The employers' body called
for phased reductions in public
spending over the next three
years, bringing the total in
1996-97 to £10bn less than
the government's target.

Within the total, spending on
training, export support and
transport infrastructure should
be protected from cuts, while
outlays in areas such as child
benefit and unemployment pay
should be targeted more to
needy people. The ideas are
part of a CBI plan to reduce
the gap between government
spending and income from an
expected 8 per cent of gross
domestic product this financial
year to 3 per cent by 1996-97.

Insurer cuts export costs

Punitive credit insurance pre-
miums on exports to Argen-
tina and Lebanon are to be cut
from today by NCM, the lead-
ing credit insurer in the UK.
The company says the cuts
are the first ever, and are
intended to aid Britain's
export effort.

Analysis pointing to lower
risks of default means that
premiums currently at 6 per
cent for Argentina are being
cut to 3.5 per cent. For the
Lebanon, the cut is from 6.33
per cent to 4.5 per cent.

Relaunch for business school

Manchester University has per-
suaded Sir Terence Burns, per-
manent secretary to the Treas-
ury, and Mr James Ross, chief
executive of Cable & Wireless,
to help re-establish Manchester
Business School's reputation
after last year's row over its
future.

Both will serve on the
school's new board, with Mr
Ross as chairman. The board's
predecessor body - a council of
14 business leaders and former
Whitehall mandarins -
resigned 13 months ago amid
recriminations about the struc-
ture of the school.

The new board's first job will
be to address a deficit at the
previously profitable school.
Financial health partly
depends on reputation, which
in Manchester's case ranks
with Harvard in the US, Insead
in France, and London and
Cranfield in the UK because of
the quality of its postgraduate
management education.

Documents leaked to the
Financial Times show a deficit
of £226,700 at the end of March
- £706,700 worse than a then-
budgeted surplus of £390,000.

Aerial spraying policy defended

Mr Chris Harris, head of the
Department of Transport's
Marine Pollution Control Unit,
defended the practice of aerial
spraying when the govern-
ment's contingency plans
came under scrutiny at the
Donaldson inquiry yesterday.

The hearing is looking at the
implications of the Braer oil
spill off Shetland and has
examined the government's
strategy which relies on aerial
spraying when oil pollution
threatens the coast.

Questioned by Lord Donald-
son, chairman of the hearing,
Mr Harris insisted that there
was international agreement
that chemical dispersants were
an effective way of breaking
up oil spills.

The inquiry learned that the
transport department spends
more than £3m a year on
seven Dakota aircraft which
are on standby to deal with
big oil pollution accidents.

Many teachers 'unsuitable'

One in 10 newly-qualified
teachers is "unsuitable to teach-
ing", according to the Office
for Standards in Education.
In its first report on
the standards of new teachers
since taking over from Her
Majesty's Inspectorate earlier
this year, Ofsted said the find-
ing "raises the crucial question
of how these students were
selected for training, allowed
to complete their course suc-
cessfully, and gain appoint-
ments."

The National Union of
Teachers attributed the high
proportion of unsuitable candi-
dates joining the profession to
the high level of unemploy-
ment. "The difficulty in getting
a job now would persuade
many people to stay in the pro-
fession, even if they are not
suitable."



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PEOPLES JEWELLERS LIMITED

Bolstered by government approval for a number of clinical trials in the US, gene therapy – the process of re-encoding the DNA in cells – is on the verge of commercialisation.

Once confined to scientists' laboratories, gene therapy is now a defined and growing industry. New companies in the sector are springing up all over the US and a number have obtained approval from the federal Food and Drug Administration to conduct clinical trials on treatments for diseases ranging from cystic fibrosis to brain cancer.

One of the first human trials approved for gene therapy, a treatment for ADA (or "bubble baby" disease), which causes children to be born without an immune system, was launched three years ago, and has shown promising results. If clinical trials on other diseases go as well, companies in the sector say they may be marketing products as early as 1997.

The concept of using genes as drugs is revolutionary and will greatly expand possibilities for treating various diseases," says Ronald Crystal, a professor at Cornell University medical school and an authority on gene therapy. "The commercial opportunities are very exciting."

Gene therapy is a spin-off from biotechnology. But whereas biotechnology makes use of synthetic proteins as drugs, gene therapy aims to change the DNA structure of cells so that they will produce therapeutic proteins in the body. Originally seen as a way of addressing congenital gene deficiencies, such as those that lead to cystic fibrosis and haemophilia, gene therapy is now being considered for possible use in the fight against cancer, Aids and cardiovascular diseases.

As the link between specific genes and diseases becomes more evident, the applications for gene therapy broaden

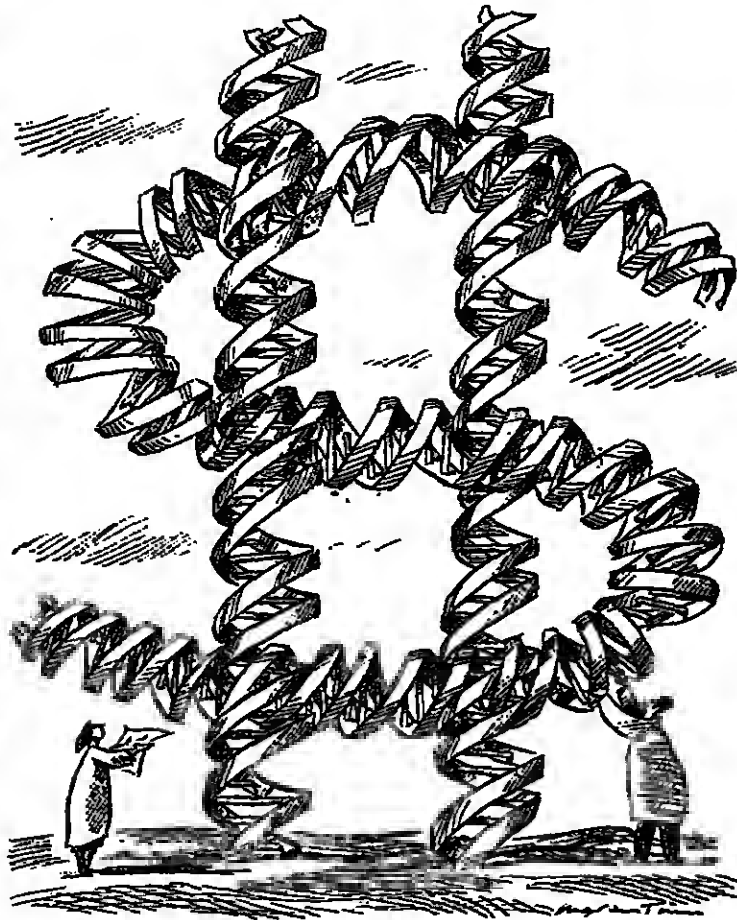
The expanded focus not only makes the approach more promising from a medical standpoint, it also increases the commercial potential of gene therapy products.

"The market size for gene therapy will be defined by the disease targets," says Marc Schneebaum, chief financial officer of Genetic Therapy, a leading gene therapy group. "There are only a 100 or so patients in the US with ADA disease. But there are 30,000 with cystic fibrosis and millions of Americans contract cancer every year."

As the link between specific

The commercial opportunities for gene therapy are growing by the minute, reports Victoria Griffith

A market that could spiral



genes and diseases becomes more evident, the possible applications for gene therapy broaden.

"More genes are being discovered to be the cause of certain diseases, which means that gene therapy may be used to treat a wide range of illnesses," explains Alain Schreiber, president of the gene therapy group Vical. For instance, non-small-cell lung cancer – the most common form of lung cancer – has now been associated with the inactivity of a gene that normally suppresses tumour growth.

To get the recombinant DNA sequences into the target cells, researchers rely on carriers such as crippled retroviruses. These inactive viruses invade the cells and alter their DNA structure. The use of these viruses, though, has caused some concern about possible side effects. "Retroviruses are known to undergo a recombination if a helper virus is around," says Schreiber. "They are always risky."

As a result, some researchers have switched to adenoviruses – the class of viruses that causes common diseases such as colds – as a safer bet. "The problem with these is that they are very promiscuous," says Schreiber. "They are difficult to control."

Vical has turned to liposomes – tiny globules of fat – as an even safer, though less effective, means of gene transfer. In the UK, too, researchers are tending to favour liposomes rather than viruses. "The impact may not be as long-lasting, but that may be desirable. If a therapy is temporary, it's much easier to control in case something goes wrong," says Schreiber.

Despite its promise, gene therapy faces a number of hurdles on the way to the medical marketplace. The most pressing problem is how to get the treatment into the patient.

Because of the risks involved, most gene therapy trials continue to rely on an *ex vivo* approach, by which cells are removed from the patient's body, treated, then reintroduced after a period of monitoring.

One company – Genetic Therapy

– has moved to *in vivo* trials for its brain cancer treatment, treating cells in the body of the patient. The company asserts that the process is safe, since the carrier virus attacks only rapidly proliferating tumour cells. However, a great deal of concern lingers over *in vivo* treatments. "In *in vivo* gene therapy is much riskier than *ex vivo*," says David Carter, president of the group Somatix Therapy. "Outside the body, you can monitor the effects of the treatment. Inside you can't. What if the virus invades the wrong cells? If it does, it could cause genetic modification."

Some observers argue that because gene therapy is being used

to treat a number of fatal diseases, the risks are relative. "When you're talking about a brain cancer patient who has maybe nine months to live, the risks seem less important," says Schneebaum.

"Radiation and chemotherapy, the methods commonly used now, are known to have serious side-effects. Our brain cancer treatment, although it may have risks, has not yet been shown to have any side effects at all."

Ex vivo therapy may be safer, but because it is far more difficult to administer, its commercial potential is limited. "Clearly, *ex vivo* treatment is pretty cumbersome for any mass drug, since it can't be bought

in a drug store, or even obtained at a doctor's office," says Alan Smith, head of the genetic therapy programme at the biotechnology group Genzyme. "Eventually, the form of treatment for gene therapy will have to change if it is going to be widely available."

Another problem for the sector is obtaining intellectual property rights. The FDA has sent mixed signals on the viability of patenting gene therapy products. Although the industry has applied for a number of patents, few have been issued. "There are controversies about the patenting of gene segments, and clearly this is a major concern for the sector," says Schneebaum.

Financing is another hurdle. When biotechnology got under way in the 1970s and 1980s, Wall Street and venture capital groups were only too willing to finance start-ups. Gene therapy also appeared attractive to investors about 18 months ago. The venture capital market has now almost dried up, though, and the uncertainty surrounding the Clinton administration's health reform programme is making it difficult for all pharmaceutical groups to raise capital.

Like biotechnology groups in their early years, some gene therapy groups have turned to licensing agreements with larger pharmaceutical groups to obtain financing for research and development. Still, licensing may not be a solution for everyone. "We want to obtain financing, but we don't want to give away the store," says Stewart Parker, president of the gene therapy group Targeted Genetics.

Many observers see a number of parallels between the position of gene therapy today and the position of biotechnology groups 10 years ago. "A lot of gene therapy groups are where the Amgen and Genentech were in 1983," says Fernando Quezada, executive director of the Biotechnology Centre of Excellence in Boston.

Despite the scientific and business similarities between the two fields, there is strangely little crossover. Biotechnology groups Biogen and Chiron say they are looking into gene therapy but the only group with any actual commitment to the new field is Genzyme.

"It may be that most biotechnology groups, which are facing a number of risks already, see gene therapy as an added uncertainty," says Smith. "We see it as an exciting opportunity."

As in the biotechnology industry, the road to commercialisation will probably be riddled with potholes, but as the gene therapy industry matures, more believers are betting that the new approach will not only offer important medical advances but generate profits as well.

Telecoms gets in on high-wire act

By Della Bradshaw

A radio-controlled robot, looping along the power cables between electricity pylons, is helping the UK's power distribution company, National Grid, to build a nationwide telephone network in record time.

Energis, the telecommunications arm of the National Grid, expects to offer a long-distance phone service to 70 per cent of the population of England and Wales by April next year, only 11 months after being awarded a telecommunications licence.

Energis does not have to dig up the roads to lay the cable, nor get planning permission for telephone poles or ducts. Instead, it is exploiting its investment in the electricity pylons – or "towers" as they are known in the trade – which span the country.

Fibre-optic cables, which will form the backbone of the new network, are being wound around the earth cable – also known as the ground wire – which is the cable looped from the top of the pylons. Heath Robinson-like machines which lash the fibres around the cables move at the rate of one metre per second, providing swift installation.

Focus, part of the Cookson Group, which is the major supplier of the wrap-around fibre, is supplying similar systems to electricity generating companies as far afield as Scotland and Hong Kong, the US and Scandinavia. They are being used by the electricity companies either to carry their own internal communications or for services to sell on to customers.

Focus managing director Ray Grimwood believes it is the regulatory environment and the culture, not the technology, that is preventing other electricity suppliers from following suit. As well as providing rapid competition to monopoly phone companies, such systems could also provide phone services to any rural area with a power supply. Eastern European countries and China, for example, could be big beneficiaries.

Electricity suppliers have three technical options in choosing a phone network to link in with their electricity supply. The first is to wrap the fibre round the



earth cable, which is a swift and relatively cheap option if the earth wire is new and will remain in place for several years.

If the earth wire is old and due to be replaced, power companies often prefer the second option: replacing the earth cable with one which incorporates the power wire and the phone wire in the same plastic sheath. Such systems are also useful if the electricity company is extending its power network or in countries which lack both electricity and phone services.

The third option is to drape the optical fibre cables between the pylons. The simplicity of this scheme brings its own problems, however. The technology by optical fibre companies, Energis, for example, rejected the self-supporting draped cable because it believed that the cable would be physically damaged if used in close conjunction with its high-capacity transmission lines.

Developing the wound cable was not easy either. Looped round the earth wire, the cable has to withstand ultra-violet radiation and snow. The earth wire is also designed to take lightning strikes, when the temperature can rise in a flash to 200°C or 300°C. So Focus had to develop a specially cured cross-linked polyethylene jacket to ensure that the weather does not affect services.

Today each fibre installed by Focus can carry 568Mbit/s of information – enough to allow, say, 8,000 simultaneous voice conversations, 8,000 pages of text a second and 10 colour video signals to be sent on a single pair of cables.

PEOPLE

Carter for CU

Tony Brand can take some pride in the fact that he will leave Commercial Union, the UK's biggest insurer, in a better state than when he took over the job of chief executive in 1986. CU had suffered consecutive years of losses when Brand was called in from the group's US subsidiary and it was regarded as the fallen star of the industry.

Brand retires at the end of this year – just five months before his 60th birthday – with CU, widely recognised as the most successful of the UK insurance companies.

John Carter, 55, (right) will take over the top job. Carter, a mathematician and actuary, has been an integral part of Brand's senior management team since 1987, along with Tony Wyand, finance director. "We've been very pleased we have managed to make a change," says Brand, who says he will leave the "ship in good order". No change to CU's established strategy, which focuses heavily on increasing the size of life insurance business, is anticipated.

Brand says he is "not ingrained with the City and its



foibles", does not maintain any business activities and will retire to the country, pursuing interests in military history and archaeology.

He will also travel a good deal, visiting Australia as well as the 18 countries "where he hasn't yet slept". With Brand planning a trip to the Baltic states in the summer, that number should soon be reduced to 15.

SIB poaches solicitor

The Securities and Investments Board has appointed Mr Guy Sears, a solicitor with City law firm Denton Hall Burgin & Warrens, to the newly-created position of head of enforcement litigation.

Civil litigation is a growing part of SIB's enforcement activities. There have been 46 cases in the last five years involving injunctions, restitution orders and compulsory liquidations under the Financial Services Act.

The growing case load prompted SIB to develop the capacity to handle the work in-house. Until now it has relied on law firms such as Denton Hall to do the litigation work for it.

Mr Sears has done several cases for SIB and has considerable experience in insolvency

litigation, making him a natural choice, a former colleague at Denton Hall said.

Mr Sears, who will join SIB's legal division today, said that over the next two to three years he hoped to build up SIB's capacity to handle all but the very largest cases in-house.

By moving to SIB he has given up the chance of high future earnings as a partner in a lucrative City law firm, but, confessing to ambitions in the regulatory field, he said he had never viewed law firm partnership "as the be-all and end-all".

Just 32, he came late to the law having read natural sciences at Jesus College, Cambridge, qualifying as a solicitor in 1987. Law, however, runs in the family. His father is a judge in Hong Kong.

Sir Tom steps aside

Sir Tom Cowie, (right) one of Britain's longest serving chairmen, is to call it a day. After 45 years as chairman of T Cowie, the Sunderland-based motor dealer, Sir Tom has announced that he plans to step down from the board at the end of the year and take the title of life president.

Sir Tom, who will turn 71 in September, founded his business around a motor cycle repair shop in Sunderland and the boardroom still stands on the spot where Sir Tom once repaired motorcycles.

He brought his company to the stock market 30 years ago and it has grown into one of Britain's top four motor distributors, employing over 3,500 people, with a turnover in excess of £200m.

Sir Tom only split his role in 1981, appointing Gordon Hodgson, 61, as chief executive. It is unlikely that Hodgson will move up to be chairman and



the group is looking to appoint an independent non-executive chairman designate, Lord Elliot of Morpeth, a former Conservative MP, is the company's only non-executive director and the intention is to recruit two more.

Financial and insurance moves

■ Ken Lewis has been appointed director of the CO-OPERATIVE BANK, responsible for human resources, legal services, group property and group quality.

■ Stephan Collins has been appointed a senior vice-president of PARIBAS ASSET MANAGEMENT to cover northern European marketing out of London. He joins from UBS Phillips & Drew International Investment.

■ Adrian Coates has been

appointed director of WAR-RIOR INTERNATIONAL.

■ Crispian McCredie has been appointed as marketing director of SBC Portfolio Management International Limited.

■ David Kerr and Sheena Harding have been appointed directors of INTERCAPITAL COMMODITY SWAPS.

■ Nick Becker has been appointed by MINTET as md of its marine energy division and a director of international broking.

Audit watchdog appointments anger councils

The latest two appointments to the Audit Commission have put noses out of joint among local authorities.

The two appointees – Sir Peter Kemp, formerly second permanent secretary at the Cabinet Office, and Ms Kate Jenkins, who was head of the prime minister's efficiency unit from 1986 to 1989 – have distin-

guished governmental careers behind them but neither has experience of local government.

The Labour-controlled Association of Metropolitan Authorities argued against the appointments when it was consulted. A spokesman said: "We are not happy about this. People with experience of local

government are under-represented."

The number of commissioners on the local government watchdog has recently been enlarged to 18. However, only five have local experience, according to the AMA – the same number as in 1991, when there were 14 commissioners. Both appointments are effective

from today for a term of three years. They were made jointly by the environment secretary, Mr John Gummer, the Welsh secretary, Mr John Redwood, and the health secretary, Mrs Virginia Bottomley. Accountancy professions, employers' organisations and trade unions were also consulted.

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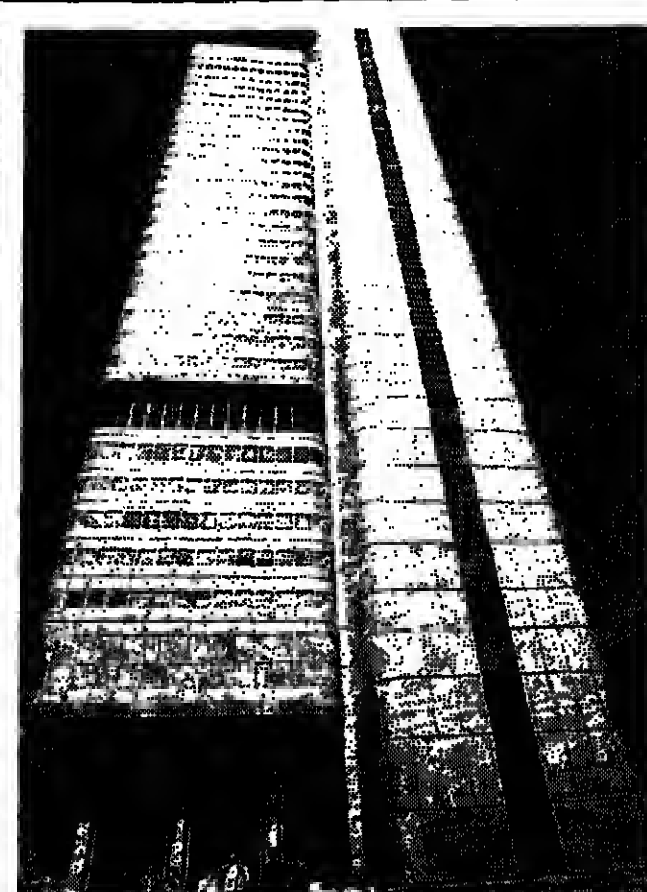
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Thursday July 1 1993

Although interest rates have eased since last autumn (the discount rate is down from a high of 8.75 per cent in July



Financial services have escaped recession so far: bank profits are up, the Bundesbank is steadfast against inflation and the private sector strengthens Germany as a financial centre. **David Waller** reports

The influx also helped the profits of the Frankfurt-based financial community. While it gave the impetus to record profits last year at the large commercial banks came from growth in lending business, trading gains and commission income from securities business are the reason for double digit increases in the banks' total

But whatever the true picture of banks' earnings, they are not on the verge of the structural crisis afflicting German manufacturing industry. Notwithstanding predictions of a shake-out in Germany's banking community, the only real consolidation is in the public sector, with the Düsseldorf-based Westdeutsche Landesbank acting as catalyst to a series of mergers and new stra-

The new body brings the Frankfurt Exchange and the DTB Deutsche Terminbörse (the German futures and options exchange) together under the same roof as the Deutscher Kassenverein settlements organisation. Some 40 per cent of the new organisation is owned by regional (non-Frankfurt) banks and the seven regional stock exchanges (excluding Frankfurt).

German financiers have laid heavy emphasis on technology. For example, they have spent tens of millions of D-Marks on the development of the screen-based DTB, founded only three

But in the battle with other financial centres, German financiers recognise that the

Calls for these measures have intensified since union chief Franz Steinkühler was forced to resign as head of IG Metall after he bought DM1m shares in a Daimler holding company shortly before the shares enjoyed a sharp increase in value.

The Bundesbank obligingly halved the requirement earlier in February this year. It may do away with the requirements altogether after Mr Hans Tietmeyer succeeds Mr Helmut Schlesinger as president of the central bank on October 1.

Outsiders are somewhat more reserved about his management of interest rates. "In most of the moves this year so far, Mr. Caddum's team has first steered down long-term money market rates, by meticulously fine-tuning of the rates at which the Bundesbank supplies funds to commercial banks. This has opened up scope for the bank to execute judicious reductions in the internationally-important short-term discount and lombard rates. The process has been vociferously supported by his colleagues, who continually point out that the 50 per cent of German borrowings are tied to the long-term rates."



Financial journalists sprint to telephones on the news that the Bundesbank has cut lending rates

The bank, acknowledging the political will which had gone into generating the agreement, reacted with admirable restraint. Chancellor Helmut Kohl had

The Bundesbank seldom uses such direct language, but its temper has been tested by critics at home in Germany who seem to suggest that it should abandon, temporarily at least, the policies which, for 30 years and more, have helped keep German inflation and unemployment lower than almost anywhere else in the industrialised world.

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GERMAN BANKING AND FINANCE 2

David Waller studies Germany's corporate style

Shareholders on sidelines

A couple of anecdotes give a flavour of the deep divide between the Anglo-American style of capitalism and the Germanic approach.

First, a British magazine reports that the newly-appointed chief executive of a big German bank split some Blützwurst sausage on his new shirt just before an important engagement. The report, far from being laughed off, becomes the subject of debate at the bank's next board meeting. How dare Anglo-Saxon journalists write about such an important personage in this way? The bank contemplates cutting back its - already minimal - contact with the international press still further.

Next, the finance director of Daimler-Benz, Germany's largest company, casually tells this writer what the group's profit figures are going to be this year and next.

The banker's sensitivity to the Blützwurst story, in the first example, highlights more than mere lack of sense of humour. It reflects the tendency of senior German management to be removed from criticism of any kind - not just about their eating habits but also their financial performance.

In the second, the willingness to let slip highly sensitive information is indicative of a cavalier approach to the mass of shareholders. It can be taken for granted that Germany's big banks and insurance companies - which own large stakes

in numerous large German companies - know the figures long before they slip out in the interviews and presentations. Other shareholders are not so well served.

But there is no point in becoming morally indignant about the way corporate Germany works. The stock market simply does not have the importance for the German economy, and for German companies that it does for the economy and companies in other countries - with profound consequences for the way companies are managed.

While the German economy accounts for 25 per cent of the European Community's GNP, and 24 per cent of its population, the market capitalisation is only 16 per cent of the European total. There are only 665 companies on the German market; at the end of last year they were capitalised at about \$333bn, accounting for 18.6 per cent of Germany's GNP. In the US, the market accounts for 66.4 per cent of GNP, in Japan 62 per cent and in the UK nearly 99 per cent.

German entrepreneurs prefer not to come to the stock-market. They are averse to becoming the slaves of short-term profits expectations - and they

do not like the personal publicity which comes from having a stock-market listing. When a business reaches the point where an infusion of external equity capital would help it grow, it often decides not to grow any further. Or it sells itself to one of Germany's many family-controlled industrial holdings groups.

Entrepreneurs who do seek a market listing make sure that

perform is exerted by the banks and insurance companies which dominate German supervisory boards. The yardstick by which management performance is measured is not published profits; the supervisory board will have access to internal measures of profit performance. There are other criteria, too, by which the success of a company will be judged: for example, capital expendi-

"Investor relations" and "shareholder value" are terms increasingly bandied about by senior German managers. Partly this is lip-service - but it does reflect a growing readiness to take the interests of foreign institutional shareholders seriously.

These investors own between 40 and 50 per cent of the small free-float on the German stock market, and a high percentage of shares in some large, individual companies. As yet they are not represented on the supervisory boards of the companies that they partially own. This means that their interests are perhaps not protected at the heart of the German system of corporate governance; but then few, if any, Anglo-American investors would be willing to make the long-term commitment to a company implicit in taking a supervisory board role.

Despite this lack of formal representation, there are signs of a gradual convergence between the Anglo-American way of doing things (where the shareholder comes first) and the German way (where the interests of ordinary shareholders have tended to come close to the bottom of the pile of management priorities).

There is little need for management to justify its actions to the broad cross-section of shareholders - except perhaps at ritualised events such as the annual press conference or at a meeting of shareholders.

control stays with management rather than the market. A typical move would be to list only 25 per cent of the share capital.

Even much bigger companies try to make sure that control does not pass away from a few friendly (usually German institutions) to the equity market as a whole. There is an emphasis on "shareholder stability" - that is, arranging matters so that there is no possibility of management becoming unsettled via unfriendly takeovers. Pressure on management to

ture, growth in turnover, contribution to the local community; improvement in friendliness to the environment.

The debate over management performance takes place behind closed doors. There is little need for management to justify its actions to a broader cross-section of shareholders - except perhaps at ritualised events such as the annual press conference or meeting of shareholders.

Communications policy at some of Germany's larger listed companies is changing.

This is brought on by two linked factors: the German recession and the likelihood that German companies will need to tap international equity markets for capital.

The recession is making managers realise the importance of making money as well as generating sales. Restructuring is generating a need for capital which cannot be met from cash-flows as in the past. The capital is not so readily available from the increasingly cautious banking community - and public sector borrowing requirements are likely to keep up the cost of borrowing over the rest of this decade.

The source of capital at the margin is the international fund manager; companies will have to adapt themselves to meet his or her wishes if that capital is to be forthcoming.

Talk about shareholder value is a symptom of this. More telling is Daimler-Benz's decision to seek a listing on the New York stock exchange. This will require the company to be more forthcoming with sensitive financial information than in the past and will expose it more closely to the criticisms of Anglo-American investors. In return Daimler will be able to raise equity capital more cheaply and more widely than its competitors.

As yet, other German companies have yet to follow suit, but Gerhard Liener, Daimler's finance director, predicts that other big German companies will be obliged to make the step soon.

Frankfurt's stock exchange

Technology is the weapon against London

LONDON'S spectacular failure to develop its Taurus settlement system has brought cheer to the hearts of Frankfurt financiers eager to challenge London's primacy as Europe's leading financial centre.

The reason is that London's failure to devise an electronic way of "dematerialising" share settlement has highlighted what German financiers believe to be the Frankfurt financial markets' superior technological edge over London.

While the German securities markets have suffered under a number of competitive disadvantages - such as a strict regulatory regime which has discouraged financial innovation and a lack of investor-oriented supervision - technology has been a central weapon in the battle with London.

An electronic system is more advanced than one where brokers shout and wave their arms about

execute their transactions in blue-chip German stocks via London rather than Germany is because of the lack of securities-market supervision in Germany. Another was the fragmentation of liquidity and visibility between the eight exchanges now merged into the new Deutsche Börse structure.

Technology alone could not overcome these obstacles - which are being dealt with - but the introduction of the IBS screen dealing system for Germany's leading share and bond issues in April 1991 has succeeded in pulling back business from London.

London's share of business in Germany's 30 leading shares has dropped from 14 per cent in 1989 to 10.25 per cent last year, says Mr Rüdiger von Rosen, chief executive of the Deutsche Börse, citing Bank of England statistics. He attributes this success to the IBS system, which within Germany now has a 44 per cent market share of turnover in the leading shares, more than twice the level only a year ago.

Last summer, it appeared that IBS would not be the last word in the development of electronic trading systems for the German securities markets. Details of a study commissioned by the Frankfurt stock exchange leaked out, suggesting that during the 1990s Germany would move to a fully paperless system for equity trading.

The report, conducted by the McKinsey consulting firm, proved too radical.

Floor-based trading systems are to remain, assisted by technological innovations such as the recently introduced, so-called, Boss-Cube order-routing system, which has been designed to eliminate the paper flow associated with a sheet order.

But the new Deutsche Börse is to be used to develop a "one-stop" shop for the purchase of equities, bonds and derivatives, together with settlement services. It can only be brought about by further advances in technology.

This was made clear by Mr

The Germans are pleased that they do not have to develop a dematerialised share transfer system

Rolf Breuer, chairman of the Deutsche Börse and head of securities at Deutsche Bank, when he used his influence to appoint a successor to Mr von Rosen as chief executive.

Von Rosen, a former head of public relations at the Bundesbank, is to be replaced later this year by Mr Werner Seifert, a Swiss citizen who is now head of Swiss Re's primary insurance business. Until 1987 Mr Seifert was a partner at McKinsey. His background in technology and finance is thought to be the decisive factor behind his appointment.

The organisation which he will head up from next August this year is a holding structure which brings the Frankfurt stock exchange, Germany's largest, under the same roof as the DTB and the Deutscher Kassenverein, the German settlement system.

Whatever advances are yet to be made, the Germans are pleased that they do not have to follow London's example and develop a dematerialised share transfer system - they have this in the Kassenverein already.

It offers settlement within 48 hours - and if the order is put in early enough, within the same trading day.

David Waller

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GERMAN BANKING AND FINANCE 3

MR Ulrich Cartellieri, a board director at the Deutsche Bank, is fond of arguing that the banking sector in Germany is potentially the steel industry of the 1990s.

The thrust of his argument is that there are too many credit institutions in Germany (4,453 at the end of 1991 - the latest figure provided by the Bundesbank), and that this number must shrink over the course of the decade amid a restructuring as drastic as that which has afflicted the European steel industry.

As yet, however, there is very little evidence of his prediction coming true. On the contrary, judging by the robust profits still being generated by the larger, quoted German banks, the banking sector seems to be an island of prosperity amid the deepening gloom of Germany's worst recession since the war.

Germany's bigger banks all enjoyed a record year last year. The top five quoted institutions posted annual increases in total operating profits ranging from 7 per cent at Deutsche Bank (the biggest) to 21 per cent at Commerzbank and 38 per cent at the Bayerische Vereinsbank.

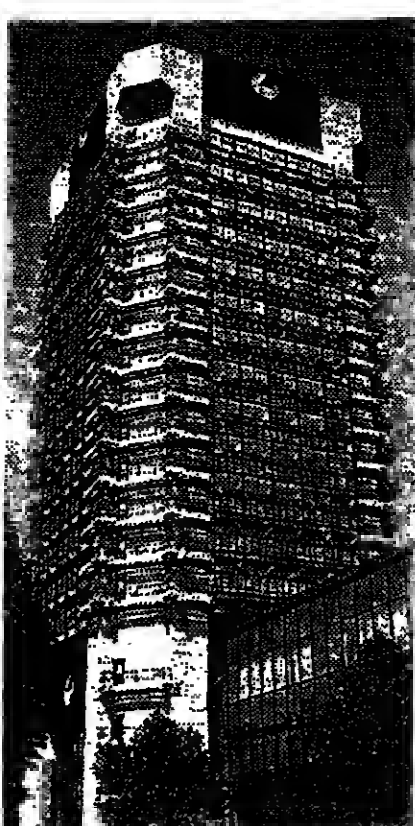
Moreover, operating profits do not appear to have run out of momentum during the current year. Deutsche Bank reported that total operating profits rose by "a good 20 per cent" in the first four months of 1993; Dresdner Bank (the second biggest in Germany) has reported that profits increased by 15 per cent over the same period and Commerzbank said that they climbed by more than a quarter in the period from January to March.

The performance has been recognised by investors: the banking sector (excluding Deutsche Bank) outperformed the German stock-market as a whole by more than 17 per cent; Deutsche outperformed the market by 5 per cent (reflecting the higher rating normally accorded to the bank by investors). But how long can it continue?

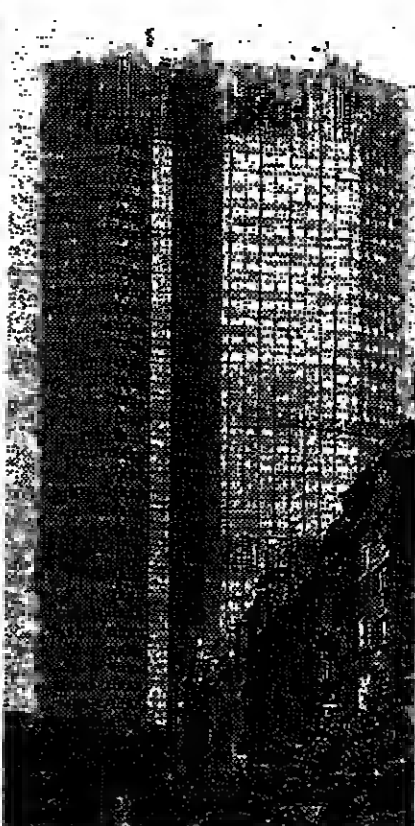
Mr Peter Pietsch, an economist at the Commerzbank in Frankfurt, observes: "The increase in profits to record levels over the past two years reflects a steep rise in the demand for credit - total bank lending to non-banks excluding treasury bill credits grew by DM240bn last year - 8 per cent - with a much higher rate of growth in medium and long-term credits. Although demand for funds has reduced with the onset of tougher conditions in the economy, it is still 'brisk', says Pietsch, with DM10.6bn of new credits granted in February.



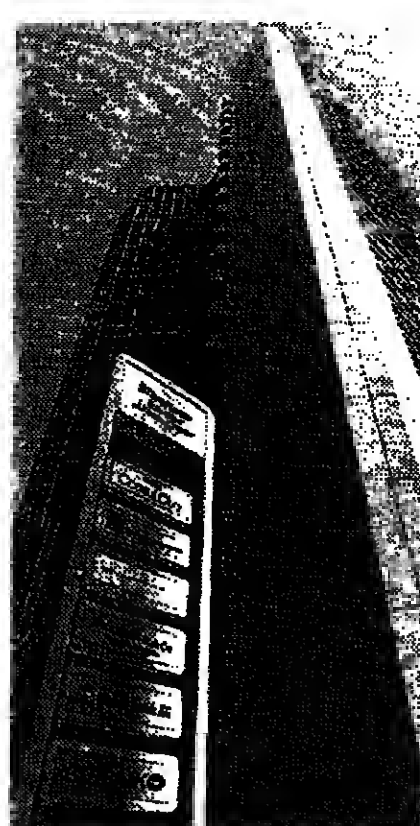
Big banks in Frankfurt: Dresdner Bank....



...the DG Bank headquarters....



...the BFG Bank....



...and Citibank, a successful foreigner

David Waller reports that recession has not yet affected the prosperous banking sector

'Lean-banking' is the buzz word

This reflects a number of factors, including lower interest rates and the continued availability of government subsidies to help finance investment in eastern Germany. Another consideration is that increased public sector borrowing is picking up the slack created by reduced demand for funds from private companies.

● Much of the increase in banks' total profits in the early months of this year reflect buoyant equity and bond markets. The DAX index of 30 leading shares climbed sharply in the early part of the year and last year's bond rally through to the middle of April, with yields on the 10-year Bund dropping to under 6.5 per

cent from over 9 per cent in the summer of last year. This benefited the banks on two counts: they increased their fee income via providing securities-related services to their clients, and they made profits for themselves via own-account dealings.

These factors help explain the growth in operating profits in the past, and provide some comfort for the outlook for the rest of the year. But to a large extent, as Pietsch readily admits, the operating profits provide an unrealistically positive picture of the German banking sector's prosperity - because they are calculated before provisions for bad and doubtful debts. It is understandable at a time of deepening

recession, when the number of bank bankruptcies has risen sharply, that the banks have been increasing their provisions. By just how much is not clear: the banks do not disclose the figure - although they will begin to do so later this summer, when they release their full figures for the first six months of the year.

Analysts have already been able to make a guess at the scale of provisions, following hints dropped by the banks' chief executives at recent press conferences. Goldman Sachs, for example, calculates that provisions against domestic credit risk doubled in 1992 to roughly 1 per cent of total lending.

This reflects an especially high increase in provisions to cover loans to small and medium-sized businesses. Deutsche Bank disclosed that nearly three quarters of its provisions were against loans for less than DM10m, mainly in manufacturing.

Mr Ian McEwen, European bank analyst at Merrill Lynch, has studied the numbers and come to the conclusion that net provisions as a proportion of operating profits range from 43 per cent at Deutsche Bank to 64 per cent at Dresdner Bank and a massive 95 per cent at Commerzbank.

McEwen says that in the light of the banks' poor disclosure policies these calculations are "subject to considerable uncertainty."

But he argues that the truth about bank profitability is startling - only Deutsche, of the big three banks, has a comfortable relationship between the net provisioning and the level of profits.

"This means that the boom years for the German banks have already ended," says McEwen; but this has yet to feed through to the bottom line.

He predicts that strong lending and buoyant markets will enable the banks to post further gains in operating profits this year. Next year, however, he expects operating profits to fall by 10 to 15 per cent - although these figures will not be disclosed until well into 1995. By then, the bad debts situation will have deteriorated still further.

Pietsch, at Commerzbank, is adamant that by international standards the German banking sector will continue to look relatively strong. "We don't have all the dramatic developments here in Germany that have afflicted the banking sector in the US or Japan," he says. "Although there is a downturn in the property sector, for example, there is no structural crisis."

"Of course industry is weak in Germany, but total industries are not vanishing as they have in the US. Perhaps the only really dramatic developments are in the machine tool sector - in the motor industry, by contrast, we are experiencing a cyclical downturn rather than catastrophe."

Moreover, Germany is not facing a savings and loans crisis of the kind experienced in the US - nor do the banks have to deal with the aftermath of imprudent lending to finance highly leveraged takeover transactions.

But, perhaps in recognition that more difficult times are ahead, the buzz word in the German financial services sector at present is "lean-banking": after a period of years in which costs have risen sharply, banks are beginning to take more care of cost management.

This can mean reducing staff levels: Commerzbank, for example, plans to reduce its staff levels by 1,000 from 30,000 by the end of next year.

It has recently denied reports that it is planning to lay off twice as many people as part of a slimming-down of its Frankfurt head office. That a review of head office costs is underway is no secret: the McKinsey consulting firm has prepared a report on the issue, and the Commerzbank board will decide on rationalisation measures at the end of July.

David Waller profiles BHF's banking operations

Tuned to the single market

BHF-Bank is often described as a small, Frankfurt-based merchant bank - a description which is in some ways misleading.

BHF is not that small: with assets of DM54bn at the end of last year it ranks as Germany's eighth largest private sector bank.

And as Mr Wolfgang Strutz, its senior partner, concedes, it is not a merchant bank in the English sense of the term.

It is highly active in mergers and acquisitions advice and other fee-earning businesses, but the lion's share of its earnings comes from commercial lending.

Furthermore, BHF may be based in Frankfurt, but with about 60 per cent of lending going to international customers, it claims to have the most international business profile of any German bank.

"In fact," Mr Strutz says, "we are one of a kind, very different from other German

financial institutions. This begins with our legal structure - six general partners are personally liable for the bank's entire business - and extends to the type of business we pursue.

"Like other large German institutions we are a universal bank, in that we combine a large range of financial services under one roof; but we don't do everything that a universal bank could do.

"We avoid small retail customers and steer clear of low-margin volume business. Our target clients are businesses with turnover of DM100m or more and high net worth individuals."

The bank has had above

average growth in profits over the last 10 years, is represented in 12 German cities and had branches or subsidiaries in the world's big financial and industrial centres.

Mr Strutz says that the bank's aim is to concentrate on four main business areas: treasury activities, with currency trading operations in New York, London, Tokyo and Frankfurt; commercial lending; asset management, concentrating on the core markets of Germany, Switzerland and France; and corporate finance.

BHF has taken two important strategic steps since the beginning of this year, with the aim of bolstering its international corporate finance

activities and its domestic lending business.

First, together with its French associate Credit Commercial de France, BHF will pay €235m to buy a 90 per cent stake in Charterhouse, a London-based merchant bank.

Second, it forged a domestic co-operation agreement with IKB Deutsche Industriefinanzbank, a Düsseldorf-based bank which specialises in providing

long-term finance to small and medium-sized businesses.

The agreement is underpinned by a share exchange under which BHF took a 10 per cent stake in IKB, while IKB bought 3.5 per cent of BHF's shares. Together the two institutions have total business volume of DM100bn.

The acquisition of Charterhouse is the more ambitious of the two moves, representing a

determined attempt to build up a pan-European corporate finance group.

"We are convinced that as the process of European union gathers pace, cross-border mergers and acquisitions will become more important than ever before," Mr Strutz says, explaining the rationale behind the move.

"As medium-sized companies gear up to face the realities of a single market they will face a growing need to seek external sources of capital and will be increasingly obliged to seek third-party cross-border financial advice."

"We decided that the best way to tackle the market was

not by setting up our own subsidiary or taking a passive financial investment - but to make an outright purchase."

"Either of us (BHF or CCF) could have done the deal on our own," says Mr Strutz, "but this would have done no more than bring one institution's home market into the equation. The way we have done it creates something unusual - a trilogy of corporate finance operations in London, Paris and Frankfurt."

The aim is to make the services of this triple alliance available to BHF's domestic client base - and also to the 8,000 medium-sized companies which are clients of IKB.

Insurance is learning to live with EC directives, writes Trevor Petch

Need to respond faster

THE implementation of the EC third directives on life and non-life insurance in July 1994 will represent a watershed for the German insurance industry. Since the 19th century the authorities have regulated the market by detailed supervision of policy terms and premium rates rather than the monitoring of insurers' financial condition.

"As Brussels has opted for another market model, much closer to that of the UK, we believe that we have to live with the consequences," says Dr Bernd Michaels, chairman of the German Insurers' Association (GDV). "The task is now to ensure that the directives are transformed into German law in such a way that its insurers have a fair chance to compete," he adds.

All leading German insurers share the view that big changes will ensue, particularly in personal lines business. "We are talking about a different game," says Dr Henning Schulte-Noelle, chief executive of market leader Allianz. Companies will be forced to pay much more attention to policy development, particularly in life insurance, and respond more rapidly to innovation as both they and new market entrants are freed from the tight restriction of the supervisory office in Berlin.

"For the first time in German insurance history underwriting of private customer business will have to be creative," says Mr Claas Kleyboldt, chairman of Colonia Konzern, holding company of the Colonia and Nordstern insurance groups.

At the same time, customers will be faced with more choice and more difficult decisions. Both Dr Schulte-Noelle and Mr Kleyboldt see an increased role for the insurance companies' agents, who dominate distribution in Germany. The industry recognises that the agents' new role is something more than

simply a sales function and will require more training, but it is determined to maintain control over this itself.

Germany currently has almost no control over the insurance sales process, relying on close regulation of the insurers and on their own image-consciousness. Nevertheless, in recent years there has been increasing concern over dubious practices, particularly by some of the growing number of independent sales companies and in the new states in eastern Germany.

An increase in price competition is also regarded as inevitable, with equally far-reaching implications. Dr Knut Hohlfeld, president of the Insurance

Mutual insurers already have the ability to increase premiums at any time, by membership vote.

Fewer changes are predicted in industrial lines. These are already open to the single market, but with little effect on the traditional links between German industry and German insurers. Part of the reason, according to Dr Michaels, is that policies were already of international standard and prices had become so low that few outsiders were interested in competing for business.

Industrial, fire, and loss of profit lines have suffered heavy losses. Since 1991 German insurers have finally begun to demand premium

expected to continue.

Another effect of these changes is increased attention to reducing administrative expenses, partly to counterbalance rising claims costs. Dr Schulte-Noelle also draws an explicit connection with increasing price competition for personal customer business, as well as the pressure exerted on one ratio by the development of new business and, especially, supporting the new market in eastern Germany.

Attempts to win market share from Allianz's local subsidiary, Deutsche Versicherungs, the successor to the former state monopoly insurer, has generated heavy losses for some insurers which marketed policies at a heavy discount.

Germany has successfully demanded from the EC special dispensations to maintain its traditional insurance accounting procedures. The lowest value principle (which enables German insurers and reinsurers to build up large hidden capital reserves in addition to the compulsory but tax-efficient special reserves against fluctuations in underwriting results) will be maintained. So will the ban on discounting loss reserves.

Together these "have led to the high safety margin we have had in Germany for decades," Dr Michaels says. The insurance accounting directive will force German insurers to disclose the market value of their assets, but is expected to delay implementation of this directive for as long as possible - probably to the end of the decade. Such disclosure could lead to a kind of rating or competition between insurers over the level of hidden reserves. Dr Michaels thinks that this would be to the industry's disadvantage.

German industry has also been relatively insulated from the increasing use of captive insurers and other self-funding mechanisms. In the UK, the US and Sweden, half of all cover for big industry is carried out like this. The Customs House Dock financial services centre in Dublin has been a particular beneficiary of the increase in German-owned captives, and the trend can be

Car thefts - many for export to eastern Europe - together with losses from eastern Germany, have led to heavy losses on motor insurance

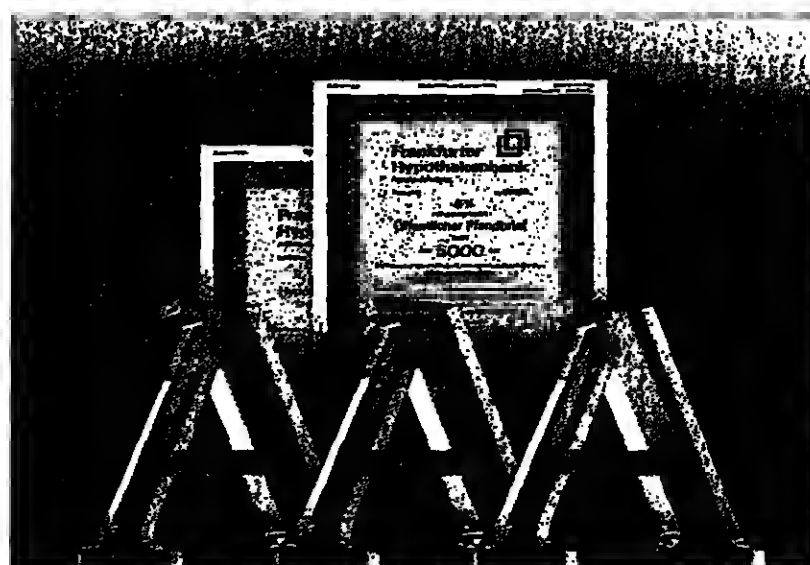
Supervisory Office, acknowledged in an interview in February that German insurers had been cross-subsidising low commercial insurance rates with profits from private customer business, an allegation which the industry itself consistently denies.

Nevertheless, with a view to the future after 1994, Mr Kleyboldt comments: "I personally think that the best thing that could have happened was the disaster in comprehensive motor insurance this year and last." Increasing car thefts - many for export to eastern Europe - together with losses from eastern Germany, have led to heavy losses on motor insurance.

In response, insurers have set restrictions on the cover offered. They have also pressed for rate increases, requesting between 10 per cent and 20 per cent this year.

Companies are also seeking the right to increase premium rates during the life of the policy - which is generally long by European standards.

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Trevor Petch is editor of World Insurance Report, the Financial Times newsletter

GERMAN BANKING AND FINANCE 4

Judy Dempsey assesses expansion prospects for eastern Germany

Likely to be a long haul

FINANCIAL services, from banking to insurance, are now firmly established throughout eastern Germany. But the expansion of these services depends on two factors: the extent to which the economy of the five new states will start growing, and the resolution of outstanding property rights.

Western Germany's big banks, and the private banking sector, moved quickly into eastern Germany in late 1990.

The expectations at that time were high, but they were short-lived. Eastern Germans rushed to spend west German marks exchanged for the largely worthless ost mark. But the consumer boom ended over a year ago. The east Germans are now beginning to save. However, what banks want to see is the expansion of the market - and that is not yet happening.

There are two reasons why the market is not growing as fast as it should. First, eastern Germany's exports were dependent on the former Soviet Union and the countries of eastern Europe. Monetary union meant that these countries could not afford to pay hard currency prices for eastern German products.

In turn, eastern German products could not compete on western markets. In short, any western German or foreign investor who decides to locate in eastern Germany now does so with the expectation of a long haul.

No banker or investor expects to make quick returns - with the exception, perhaps, of the construction industry.

This is a common view shared by the west German-owned *mittelstand*: the small and medium sized companies which are now setting up subsidiary companies in eastern Germany, and which formed the backbone of Germany's post-war development. Each *mittelstand* manager in eastern Germany has his or her own tale to tell. But all agree that these new companies have to find new markets - markets which are concentrated on the local region. High labour and transport costs, as well as low productivity, means that the *mittelstand* in eastern Germany cannot expect any advantages with regard to competitive labour costs.

"These small companies cannot cluster around large industry in eastern Germany, simply because this heavy industry and manufacturing base no longer exists."

Neither the banks nor the fledgling *mittelstand* in eastern Germany can expect quick returns

explains Mr Georg Krupp, a member of Deutsche Bank's board and a specialist on the *mittelstand* in eastern Germany. "These companies have to start from scratch. The memory and spirit of the entrepreneurial culture in eastern Germany has to be recreated," he adds.

This means that neither the banks nor the fledgling *mittelstand* in eastern Germany can expect quick returns on invest-

ments. Financial services will therefore be oriented towards the very long term, rather than the short term.

The growth of financial services in the region will also be dependent on the levels of unemployment. Real unemployment - including part-time work and job creation schemes - now accounts for between 30 and 35 per cent of the labour force.

This figure could increase with job guarantee contracts agreed between the *Treuhand*, the agency charged with privatising eastern German industry, and those who bought firms from the agency end. The *Treuhand* has managed to secure 1.4m job places. An increasing reduction in consumer spending will have an impact on financial services.

Another problem which dogs the eastern German economy: property rights.

The unification treaty stipulates that any property seized by the Nazis between 1935 and 1945 can be reclaimed, or its original owners can seek compensation. The same rights apply to those whose property was seized by the communists after 1949, until 1990. But those whose land was expropriated by the Russians occupying eastern Germany in 1945-1949 can only seek limited compensation.

Although the government has now made it easier for investors to purchase property - provided they are committed to creating jobs and investment - sorting out who owns what, and what level of compensation the original owners should be granted, has delayed both western German



A delighted east German demonstrates the 1-1 currency union granted by Bonn in 1990, following the unification of east and west Germany

and foreign investment in eastern Germany.

In eastern Germany there are over 1m claims involving more than 2m items of property - from houses and small shops to factories and tracts of land. In Berlin alone there are over 114,000 outstanding claims. In Leipzig, a thriving city in the southern eastern state of Saxony, the authorities have yet to process over 26,000 claims.

Claims take time. In some cases the relatives or heirs cannot be contacted. Even if they can be found, and all the relevant documents are presented to the property rights offices in each city, constant disputes over the levels of compensation take

place. There is also the emotional problem of reclaiming property in which some families have lived for decades. Efforts have been made to protect the rights of the latter, particularly if they acquired the property in good faith. But nevertheless, justice ministry officials in the eastern German states say that the whole question of property rights has slowed down investment.

"It is too late now. But we should have decided on one or the other - compensation or restitution. The law has pleased no one. But when it comes to property, I wonder whether any other decision would have pleased everybody," a senior justice

ministry official said recently. Outstanding property rights are expected to be resolved in about 10 years. But western German investors, bankers, and the business community agree that it will take at least 10 years for eastern Germany to create an infrastructure and an environment which will allow it to compete within the whole of Germany and the European Community.

"No matter what sector of the economy you talk about, we have to look to the long term. There is no such thing as a quick buck now in eastern Germany. It will be a long hard slog," says Deutsche Bank's Mr Krupp.

David Waller reviews Franco-German financial relations

Cross border deals blossom

ON the last working day of 1992, shareholders in Germany's second largest insurance group approved the sale of Germany's sixth largest bank to Crédit Lyonnais, the large state-sector French bank.

The timing of the deal was charged with symbolism: shareholders in Aachener und Münchener Beteiligungsbank (AMB), the second biggest insurance group in Germany after the Allianz colossus, approved the sale of a majority stake in BfG Bank to the French institution on the very eve of the formal opening of the single European market.

This DMI.9bn transaction was linked with a second, related deal, bringing AMB into a formal co-operation agreement with Assurances Générales de France (AGF), a large French insurance company. This brought the management of AGF on to the board of AMB, allowing it to exercise full control over a 25

per cent stake in AMB - accumulated against the initial wishes of the German company's management.

These two related deals were part of a series of cross-border alliances forged between German and French financial institutions during the past year. Companies from the two neighbouring countries have been taking steps to make the single market a practical reality.

Dresdner Bank has completed a co-operation agreement with Banque Nationale de Paris.

Three further examples of this are:

• Dresdner Bank - Germany's second biggest bank - which has completed a co-operation agreement with Banque Nationale de Paris.

The contract, which will be sealed with a 10-per cent cross-

holding later this year if BNP is privatised according to plan, provides for detailed co-operation in a number of areas.

The two banks will make use of each others' home country branch networks.

They will pursue expansion into third countries jointly and they have already formed joint banks in Hungary and Czechoslovakia.

Although contractual agreements of this sort are haunted by the memory of the failure of a similar agreement between Crédit Lyonnais and Commerzbank, both parties are convinced that they have worked out the scope of the co-operation to the smallest detail - and that the agreement is the best way for both

to expand beyond their home markets.

• The Deutsche Terminbörse (DTB) - Germany's thriving electronic futures and options exchange - is working with Matif, the French derivatives exchange, on an ambitious plan to link their markets. Under the agreement, members of the two exchanges will be able to trade each other's products. Matif will also gain access to the DTB's screen-based dealing technology.

• BHF-Bank, a Frankfurt-based institution which likes to call itself the "German merchant bank", joined forces with Crédit Commercial de France to buy a 90 per cent stake in Charterhouse, a UK merchant bank. The £235m

deal represents a Franco-German initiative to build up a three-legged cross-border merchant banking group.

The largest of the four transactions was the AGF/AMB and Crédit Lyonnais/BfG deal, completed only after months of horse-trading between some of France and Germany's largest financial institutions. During this long-winded process the chief executive of AMB lost his job, mainly because he opposed the process of co-operation with the French.

For mergers and acquisitions followers it was a continental European treat: the deals were done in backrooms, far from the scrutiny of the financial markets, with one supervisory board chief

haggling with another.

In this battle of the giants the interests of minority shareholders were hardly paramount.

UK merchant banking advisers played a role, but all too often a limited one. S.G. Warburg advised Wolf-Dieter Baumgart, AMB's chief executive, on how to stay independent of the French; the advice was to no avail - Baumgart was ousted by the pro-French chairman of his own supervisory board.

An added note of exoticism was provided by AMB's defence strategy, which was to hide behind a special class of "vintilated" shares, which gave AMB the right to decide who should have voting rights

and who should not.

If the affair began last year on a distinctly unfriendly, non-European note, relations between the insurance companies became more harmonious. The votes on the vintilated shares were recognised after the French were able to provide AMB with a solution to its BfG problem.

BfG-Bank - originally the Bank für Gemeinwirtschaft, a trades union bank - came

All parties were happy when AMB introduced Crédit Lyonnais as a buyer for BfG, the German bank

under AMB's control more than five years ago. The aim was for the bank to sell the insurance company's products, but the venture into "Allfinanz" was ill-fated. The bank suffered from its exposure to the Co-Op retailer (which nearly went bankrupt in 1989)

and from high exposure to problem country sovereign loans.

BfG-Bank cost its parent billions of D-Marks, and was a millstone around its neck, especially at a time of change in the German insurance market.

But for Crédit Lyonnais the opportunity to buy the bank, with 200 branches in east and western Germany, represented a one-off chance to establish a significant presence in the German banking market.

Thus all parties were happy when AMB introduced Crédit Lyonnais - its fellow state sector institution - as a buyer for BfG. In return, AGF won its influence over the big German insurer.

The deal was opportunistic. But the net result was co-operation in keeping with the spirit of the single market programme which took effect soon after shareholders voted their approval at the end of last year.

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Opera

Gardiner's 'Marriage of Figaro'

The cycle of Mozart's operas that John Eliot Gardiner is recording for Deutsche Grammophon is being derived from concerts which have become a welcome feature of summer on the South Bank. *Idomeneo*, *La clemenza di Tito* and *Die Entführung aus dem Serail* have appeared so far. *Costi par tutte* is still to be released, and this week in the Queen Elizabeth Hall Gardiner is conducting two performances of *Le nozze di Figaro*.

"Concert performances" is a misnomer for these highly detailed presentations. "Three quarters staged" would be more accurate: the singers wear modern dress - white tie for the Count, a leather waistcoat for Figaro, evening dresses for the women - and play in front of a painted backdrop after the fashion of a single chair. The Londoners follow a European tour that has included full stagings in Lisbon and Paris and presumably all the business and the production points are derived from those, though no stage director is credited in the programme.

Given the self-imposed constraints it is an energetic evening, full of bustle and incident, with entrances spilling off the stage and into the auditorium. It is carefully gauged so that action does not intrude into the final recording, where the subtleties that sometimes seemed missing from the acting (in the ambiguities of the final-act reconciliations most strikingly) would be able to emerge through the vocal lines. The very translucent textures of the English Baroque. Soloists allow the light young voices of much of the cast to carry easily and expressively; the singers have chosen carefully for their vocal flexibility and wit.

With every appearance Bryn Terfel's Figaro seems to gain steadily in his emotional range, sense of timing and vocal assurance; Alison Hagley's Susanna, new to me, was a delight: one expected the graceful, idiomatic singing, and winning stage manner - not necessarily the nicely judged wit. There is a menacing, if slightly underplayed Count from Rodney Gilby, elegant, calm Countess from Hillevi Martinpelto. Pamela Helen Stephen makes a gawky, nicely ganche Cherubino, Susan McCulloch (Marcellina), Carlos Felles (Bartolo), Francis Egerton (Basilio and Don Curzio) and Julian Clarkson (Antonio) flesh out the comedy without every descending into coarse acting, and Constanze Backes makes a great deal of Barbarina's aria.

Most of all, though, it is Gardiner's evening; he invests every number with dramatic pace and point, pays the closest attention to rhythmic detail and watches and supports his singers like a ministering angel. It is always involving, always moving and finally joyously uplifting.

The musical text is full, but Gardiner favours nonconventional orderings of the items in Acts III and IV, decisions loudly justified in the programme. The Countess's "ove sooo" is brought forward in the third act, before the sextet, and hence clarifies the progression from tenuous through comedy to celebration; in the fourth the recitative that precedes Figaro's "Aprite un po'" is interrupted by Susanna's "Deh vien!", to give his outburst much more dramatic point. Traditionalists will be able to programme out the revisions when the CDs appear; the recording, though, promises to be very special.

Andrew Clements

Queen Elizabeth Hall, sponsored by National Power. Further performance tonight

"Kiss kiss bang bang" is the oldest formula in films. "Kiss kiss" refers to the bits where two people melt together, softened by the string section and lured by the cosmic push towards Oooeess. "Bang bang" (leave aside the more risqué meanings) refers to the bits where two or more people enact the ultimate ritual of atomisation: split apart from each other, from the movie or from life itself.

But "Kiss kiss bang bang", however potent its potential, can never be the whole story in a film: merely an underpinning to richer things. Two of this week's American movies deploy the formula in all its schematic nakedness and are the surprised who audiences who begin by whooping with excitement and end up sickled over with the pale cast of *déjà vu*.

In *Mad Dog And Glory* screenwriter Richard Price, tangy chronicler of life on the edge in films like *Sea of Love* and *The Colour of Money*, gets what he may have thought a "Eureka" idea for a KBBB plot. Sty police photographer Robert De Niro accidentally saves the life of crime boss Bill Murray - frightening off the thief who is standing on Murray's face during a convenience store robbery - and then falls in love with the girl (Uma Thurman) whom a grateful Murray "loans" him. Will bullets fly when the little man tells the big man that he cannot have the lady back?

Since director John McNaughton's last film was the grimly provocative *Henry: Portrait of a Serial Killer*, all bang and no kisses, we wonder how he will cope with the

two-toe mandates of commercial cinema. Answer: scarcely at all. After a gruesome, *Henry*-ish first scene shot in black and white - a roadside drug deal sealed with two bullets in two brains - we swing into the wacky, all-colour world of Chicago crime and punishment.

De Niro is a timid, gentle, creasy-faced loner who hums "That old black magic" as he soapshots corpses. Murray has a mug that could crack a mirror but he loves his friends and does stand-up comedy routines for his fellow boozers. And Thurman is a little packet of fizzy sex appeal sent to De Niro as a "seven-day singing telegram" and outstaying her time limit.

These lovable goofballs never existed outside a film, nor did their slap-happy schedule of love and violence. The romance-and-action alternations might have been designed by a committee. A few minutes of rough stuff out on police patrol; then a few of De Niro and Thurman going kissy-kissy on his sofa (hurling saxophone and bap glissandos on soundtrack); then a few more of thudding corpses or crashing fists; then some huddy-buddy cosiness between De Niro and Murray; then more mayhem; then more *amore*.

Finally the film disappears up its own regimented schizophrenia: living, or half-living, proof that when

the kiss-kiss-bang-bang formula is misapplied it no longer seems a pithy précis of human life, more the product of an entertainment industry handing out love and violence like a pill doctor dealing out uppers and downers.

Much the same perfunctory prescriptions are on offer in *The Assassin*.

MAD DOG AND GLORY (15)
John McNaughton
THE ASSASSIN (18)
John Badham
RED ROCK WEST (15)
John Dahl
THE FENCING MASTER (12)
Pedro Olea

sin. America's remake of *Nikita*. Luc Besson's French original gave us Anne Parillaud as a drug addict/murderess turned glamorous government hitwoman. Spared the ultimate penalty by a State who forgave her criminal past in return for a future of hired liquidation, she dashed around Europe popping off VIPs while trying to achieve emotional normality with her boyfriend.

The cleverest, maddest scene in *Nikita* had the heroine fitting up

her gun in a hotel bathroom for an immediate "hit" - she has received a phone call in mid-love scene in the bedroom - while the boyfriend bangs on the locked door suffering from a combination of curiosity and *coitus interruptus*. Hollywood perkily re-runs this scene, with Bridget Fonda doing her out over the assembly-kit rifle while her frustrated Californian hippie (Dermot Mulroney) quizzes through the door.

Elsewhere, *The Assassin* is less convincing than *Nikita* even on the French film's absurdist, fabulist terms. As in *Mad Dog And Glory*, automatism takes over the kiss-bang franchise. We begin with the explosive: robbery, murder, arrest, violent training. Then like soothing sorbets between helpings of red meat, we keep seeing romantic enticements.

There is Gabriel Byrne, the secret service smoothie whose hard exterior conceals a made-in-Hollywood heart; Mr Mulroney, our heroine's oceanside Galahad; even Anne Bancroft, who runs the Assassin Training School's charm school and teaches the young gels the finer things of life. Like how to walk, talk and court; how to remove bones from the throat during post-dinner sick; and how to dress correctly for Mr Right.

The Bancroft scenes are totally

barmy. But then as directed by John (Saturday Night Fever, War Games) Badham, the whole film is barmy. As with all bad kiss-bang cinema, plausibility is pushed aside by the fallacious creed that all you need to ensnare an audience is a remorseless, nonstop Yin-ing and Yanging between the romantic and the kinetic.

Red Rock West comes closer to getting the recipe right. Kiss-kiss is put on a back burner - or allowed to lie around defrosting - until the ingredients for bang-bang are properly heated. Job-hunting hobo Nicolas Cage, arriving in Red Rock, Wyoming, is mistaken by bar-owner J.T. Walsh for the hired killer he plans to set on his wife (Lara Flynn Boyle). Walsh gives him \$5,000 for the job. Miss Boyle gives him \$10,000 not to do the job - or to do it on Walsh; and so the merry imbrolio begins.

Soon we have stalkings, ambushes, gunplay and Dennis Hopper, stark mad in a Mexican jacket as the real late-arriving hit man. And before the bang-bang climax in a studio-built graveyard, we have all we need in the way of kiss-kiss: Mr Cage and Miss Boyle exchanging some moody, oil-rich moments of passion in her darkened hacienda.

Director John Dahl's previous feature was another attempt at stylish

pulp. *Kill Me Again*. He and co-writer Rick must have had the complete works of Jim Thompson or James M Cain dropped on their heads as children. *Red Rock West* runs into a diminishing returns zone before the close; too many self-conscious "surprises", too much strenuously hard-boiled dialogue. But before that, what a pleasure to see a kiss-bang thriller in which both forms of consummation are dealt out slowly, teasingly, appetisingly, rather than forced-fed to us from frame one.

The Fencing Master is a similar but Spanish tale; more kiss-kiss-swish. A rapier maestro in 1800s Madrid (Omero Antonutti) falls in love with his beautiful, mysterious lady pupil (Assumpta Serna). Could she be a political agent, lurching up for an assassination programme as Spain breathes the first heady scents of Republicanism?

Soon bodies are budding to floors and corpses are being extracted from rivers. The fencing scenes, as well as providing sublimated love play, become teasing, inquisitorial *pas de deux* between the suspicious master and the suspected mistress of deception. Director Pedro Olea, adapting a novel by Arturo Perez Reverte, could have given his camera more rapier-like dash and force. With each scene we seem to bog down in a new sub-Velasquez tableau. But at least in Spain, unlike some parts of Hollywood, love and seduction are seen as subtle, seductively symbiotic forces rather than mere seaxwinging extremes for a variety-hungry audience.

Ballet/Clement Crisp

The Kirov's 'Romeo and Juliet'

Could this be the Kirov Ballet? Was this really Leonid Lavrovsky's *Romeo and Juliet*? The opening performance of the Kirov season on Tuesday evening was one of those occasions when doubt replaces delight, and you seek excuses for what is on view rather than superlatives.

We have loved, hoooured the Kirov since its first London visit in 1961 - and the souvenir programme for this present appearance reproduces a 1961 poster which bears a roster of names so illustrious that the heart lifts even now. Looking again at the stage on Tuesday, at the Kirov's performances and the risible production, it is hard to accept this *Romeo* is worthy of a theatre and a company which has ever been a beauro of classic style and the noblest aspirations of Russian art.

We saw Lavrovsky's *Romeo* on the first night of the Bolshoi Ballet's first visit to the West, at Covent Garden in 1956. The curtains parted, and there was a triptych with *Romeo*, Friar Lawrence and Juliet - our first sight of Ulanova, who was to seem that night a genius of the dance in her purity and expressive truth. The staging was handsome; Pyotr Williams' designs were opulent, so veristic that "one could almost smell the Verona strains", and filled with bustling life, with tremendous drama, with passionate and passionately convincing dancing. We were subjugated by the breadth and grandeur of Lavrovsky's production - the choreography a bit predictable, perhaps, but done with devastating power - and by the generosity of the performances.

This *Romeo* had, though, been first staged for the Kirov Ballet in 1940 with Ulanova, and it is this version which the troupe has now brought to London. It is wholly disappointing. The scenery is credited in the sketchy cast-sheet to "P. Vilyamov" (who is, I suppose, Pyotr Williams). It is predictable, functional, and looks ill-realised and somewhat rickety. The choreography is not

credited at all - a slip, or an admission? - and is shorn of the triptych prologue, which is included in the printed libretto. The company performance is, frankly, miserable. There are phalanxes of people looking shifty and wearing ineffectually quaint character costumes. (Most of the obduracy and geotry seem inspired by Tommy Cooper's celebrated impersonation of Hamlet). Montague is an embarrassed heap; Tybalt has cornered most of the brightest-coloured stuffs, well set off by a gang of chaps pretending to be guards in tin hats and sagging black St. Trinian's knickerbockers. A good deal of furnishing fabric swishes about as High Renaissance fashion. The effect, were it not so sad a travesty of a fine ballet, would be hysterical.

These problems are compounded by characterisations no less improbable and unworthy. Shameless mugging or disinterest mark the drama, with a lamentably weak dance style in the few moments which demand classic exactitude. (The unidentified male soloist in the ball-room diversion was very disappointing; the scenery-chewing in Juliet's bedroom by her family and the ousure was a ripe example of the art of coarse acting. The National Theatre of Great Britain could not do better).

Embedded in all this were two valuable interpretations. The curious fact is that they were given by Moscow guests, in the leading roles: Nina Ananiashvili and Yuri Posokhov. Ananiashvili shows us Lavrovsky's Juliet, a child suddenly grown to womanhood as she and *Romeo* fall in love. We see it happen in the exquisite "private" front-cloth scene at the ball when the lovers are alone, and like Ulanova, Ananiashvili makes it ecstatic, fateful. The later progress of the drama comes inevitably and touchingly from this, and Ananiashvili charges the dance with a powerful physical image, as with Plisetskaya in this role, she justifies the dance by the clarity and power of her style, and beautifully so in the balcony duet.



Yuri Posokhov and Nina Ananiashvili, guests from Moscow

Posokhov, now with the Royal Danish Ballet, is a superb *Romeo*. His natural elegance - everything light, true, harmonious - is allied to a quiet dramatic sincerity. He penetrates to the heart of each dance or emotional moment, and shows us its essence. Wonderful the tight focus of his anger in the fight with Tybalt. The ardours of the young lover, the intensity of his feelings - even something heedless in *Romeo's* temperament - are beautifully stated.

Together, these two guests reminded us that Leonid Lavrovsky was one of the masters of Soviet ballet, a fact which the Kirov Ballet's lustreless presentation was at pains to minimise. The presence of the Mariinsky Theatre orchestra was the other positive factor of the evening: "authentic" performance, such as these five musicians gave under Boris Grouzin, is a joy.

The Kirov is at the Coliseum with varying programmes until July 31

A student musical; and LIFT goes Chinese

Any musical that contains the song "Oh! You Beautiful Doll" has a lot going for it. You may have forgotten (I never knew) that it comes in *Madame Sherry* by Otto Hauerbach and Karl Hoschna which appeared in Bloomington, Illinois in 1910.

Actually, the "Beautiful Doll" song was added slightly later and the original version of *Madame Sherry* was French, being first performed in Berlin around the turn of the century. A new adaptation by Martin Connor surfaced in Connecticut in 1989. Such a cosmopolitan history makes it entirely appropriate for the summer musical at the Guildhall School of Music and Drama, though the obvious question is whether it could stand a longer run on a bigger stage.

The answer is just possibly "yes". The Guildhall performance opens nervously, but gains confidence as it goes on. Here is a mixture of all the clichés of the musical: corny plot, shaky dialogue, sentimentality, set pieces and a happy ending. On the other hand, those are the ingredients that can make a musical work. And if you like good bad jokes, *Madame Sherry* has its stack of them: for example, "My uncle's so rich, he keeps Swiss money in American banks." The bad puns are a lot worse than that, but still appealing.

Of course, it is so the music and the lyrics that a musical stands or falls. *Madame Sherry* stands. Not only "Beautiful Doll", but also "Put Your Arms Around Me, Honey" and "Every Little Movement", all of which have taken up by later stars. In the Guildhall production, where Martin Connor directs his own adaptation, there is lovely chorus work, and some attractive staging, notably in the yacht in New York Harbour. The costumes are elegant throughout: it is a tribute to the cast that they know how to wear them.

There are good parts galore. I like Alison Burrows's Yvonne, the girl who arrives on the New York scene having been brought up in a French convent, and her immensely tall father Theophilus, played by David Axel. Why Judy Browne's Catherine has an Irish accent is

beyond me, but it adds to the teasing fun in a thoroughly enjoyable evening. The orchestra is excellent with some fine violin playing by Sonya Fairbairn.

Meanwhile, the London International Festival of Theatre (LIFT/93) continues across the capital until July 12. Catch it where you can. I am told by those who have seen it that the itinerant Hanol Water Puppets are sheer delight. For myself, I enjoyed without understanding the Chengdu Theatre Company's *Ripples Across Stagnant Water* at the Riverside Studio.

The play has elements of a Chinese *Madame Bovary* and is set, around 1900, against a background of civil strife. I cannot comment on the dialogue, but the acting, setting and musical interventions are of a very high order. One point that struck me is how easily the Chinese move from great courtesy to violence: almost in the same effortless physical movement.

Malcolm Rutherford

Madame Sherry is at the Guildhall School Theatre until July 7. (071) 638 8891



Scene from 'Ripples Across Stagnant Water'

INTERNATIONAL ARTS GUIDE

BATIGNANO

Adem Pollock's intimate, outdoor opera festival, Musica Nel Chiostro, opens on July 22 with the first of three performances of *La Disgrazia d'Amore* by Antonio Cesti (1667), followed in early August by six performances of Bernstein's *Candide*. Ends Aug 15 (0564-38096)

BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of *Fedora* opens this year's festival on July 20, with Mara Zampieri in the title role. David Pountney produces Nabucco on the floating stage. Ends Aug 22 (05574-4920 224)

DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre

still in action. This year's operas include *Una cosa rara* by Mozart's Spanish contemporary Vicente Martín y Soler (conducted by Nicholas McGegan, first night July 10) and Grétry's beautiful *Zémire et Azoré* (staged by John Cox). Ends Sep 4 (06-660 8225)

GLASGOW

This year's International Jazz Festival, opening tonight, balances Oscar Peterson, Nina Simone, BB King and Tony Bennett with the more exotic sounds of Don Pullen's Afro-Brazilian Connection, the Art Ensemble of Chicago and Hermeto Pascoal. Ends July 11 (041-227 5511)

MACERATA

Renato Bruson sings the title role in *Rigoletto*, which opens the festival on July 15. This year's other operas are *Lucia di Lammermoor* staged by Josef Svoboda and starring Valeria Esposito, and *Le nozze di Figaro* conducted by Gustav Kuhn. Ends Aug 11 (0733-230735)

MONTREUX

The Jazz Festival (July 2-17) has moved from the foreshore of Lake Geneva and the crumbling confines of the town's Casino to the shiny new Stravinsky Auditorium. Quincy Jones oversees a fortnight of showcasing from Bazi Masters (including Gilberto Gil) and Soul and Jazz (Al Green, Chaka Khan, Ramsey Lewis) to the world premiere of a new work by George Duke (featuring Stanley Clarke) and a Blues Summit with BB King and

Etta James. Fringe sessions at the New Q's Club look good, with Ray Brown Trio, trumpeter James Morrison, Elvin Jones and Michel Petruccianni (021-963 8282). Montreux's classical music festival runs from Aug 20 to Sep 24 (021-963 5450)

KUHMO

To this tiny Finnish town below the Arctic Circle and just west of the Russian border, distinguished and newly acclaimed European and American ensembles and soloists come to provide up to five concerts daily, besides giving masterclasses. What makes the festival continually exciting is that so much of it consists of fine performers who have just had a few days to rehearse together. Chances are taken, spur-of-the-moment insights flashed. The atmosphere, amid all the lakes and pines, is blessedly informal. This year (July 16-Aug 1) several leading British musicians will be there, and there are song recitals, Japanese concerts, the Maly Ballet and some chamber opera (086-520936)

PESARO

The Rossini opera festival opens on Aug 9 with the first of four performances of *Armida*, staged by Luca Ronconi and conducted by Daniele Gatti, with a cast led by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis. This year's other production is a revival of the Pizzi staging of *Maometto II* starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini on Aug 18,

and Maurizio Pollini gives a piano recital on Aug 21. Ends Aug 22 (0721-33184)

RAVENNA

The line-up over the coming three weeks includes concerts conducted by Muri, Gavazzini, Boulez and Solti, plus a series of piano and song recitals. Ends July 21 (0544-32577)

SALZBURG

Gerard Mortier's second festival, opening on July 23, will be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's *Coriolanus* alongside a revival of Peter Stein's 1992 production of Julius Caesar. This year's new opera productions are *Costi par tutte* (with Cecilia Bartoli and Jennifer Larmore), Lucio Silla (with Ann Murray and Luba Orgonasova) and Monteverdi's *Poppea* (with Sylvia McNair and Philip Langridge). Revivals include Salome (Bordy/Dofnary), with Catherine Malfitano and Bryn Terfel) and Falstaff (Ronconi/Solti, with José van Dam). There are concert performances of Dallapiccola's *Ulisse* and Nono's *Prometeo*. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and the Vienna Philharmonic under Maazel, Ozawa and Levine. Riccardo Muti's only appearances this year will be to

conduct two Jessye Norman concerts on Aug 2 and 3. A notable occasion will be the farewell concert on Aug 9 of Cheri Lutz, one of the best-loved of Salzburg vocalists. Ends Aug 31 (0662-84501)

SAVONLINNA

No-one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (*Olivinlinna*) is one of the world's outstanding outdoor locations for opera. The festival opens this week with a new production of *Macbeth*, conducted by Leif Segerstam and staged by Ralf Långbacka, with festival director Jorma Hynninen in the title role (seven performances till July 20). *Fidelio* (first night July 2) and *Die Zauberflöte* (July 2, 5, 7, 12) are both August Evard productions. Lithuanian Opera and Ballet theatre brings Nabucco (first night July 21) and Lucia di Lammermoor (July 22).

Peter Schreier gives a recital next Tuesday and conducts Bach's *Saint Matthew Passion* on July 11. Hakan Hagegard gives a song recital on July 10. Ends July 27 (057-514700)

SPOLETO

The annual arts bings in this Umbrian town is now in full swing. This year's operas are Puccini's *Trifolice*, staged by the festival's ageless supremo Gian Carlo Menotti in the Teatro Nuovo, and The Rake's Progress at Teatro Carlo Melissano

The dance programme features American company Garth Fagan Dance and Ballet of the Deutsche Oper, Berlin, with Peter Schaufuss. Steve Berloff directs Oscar Wilde's *Salome*, and there is an Italian-language production of Tennessee Williams' *A Streetcar Named Desire*. Plus numerous midday and piazza concerts. Ends July 14 (Tickets 0743-40265 Information 0743-44097)

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. This year's opening events, from Thurs till Sat this week, feature the Boston Symphony Chamber Players, Juilliard String Quartet and baritone Hakan Hagegard, prior to the Boston Symphony's first orchestral performance on July 9. On Sun, Tanglewood presents a round-the-clock Independence Day celebration culminating with an appearance by folk group Peter Paul and Mary. Ends Aug 31 (Ticketmaster Boston 817-931 2000 New York City 212-3077171)

VADSTEJNA

Vadstejna's annual opera festival, set in the historic buildings of this charming medieval town 250 km south-west of Stockholm, continues its exploration of forgotten works with Stradella's *Il Tespiro turo* (1679) and Paer's *I molinari* (1794). The festival opens this week and runs till Aug 11 (Tickets 0143-19400 Information 0143-12229)

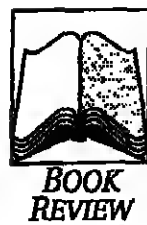
ARTS GUIDE

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Wednesday: Festivals Guide.
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Paternalist survivor of the seventies



BOOK REVIEW
Sir Edward Heath will be 77 next week. In the last words of this 876-page biography, "He has outlasted all his contemporaries (in the House of Commons); and his reputation is beginning to be restored." In the end, it is his staying power as a politician rather than his achievements in office that continue to be restored. He was prime minister for less than four years and left Downing Street in near ignominy after the general election of February 1974.

While hesitating to recommend a book of such length to busy people, I would say that it is at least as interesting as a tale of the difficulties of governing Britain as it is an account of, by any standards, a very unusual man. Practically all the problems that can ever afflict a British administration came together during Heath's premiership in the early 1970s. Unemployment passed the then politically unacceptable level of 10m. The trades unions were rampant; there was not one miners' strike, but two, the second coinciding with the threat to oil supplies from the Middle East war of 1973. Northern Ireland was at its worst.

In the midst of it all, Heath was working at his ambition and lasting achievement of taking Britain into the European Community. Even that was at least as difficult in the House of Commons as passing the treaty of Maastricht. It was secured only by the support of the Roy Jenkins wing of the Labour party and the insistence of Francis Pym, the chief whip, against all Heath's natural instincts, to allow the Tories a free vote.

It will be up to historians ultimately to judge whether the Heath government flourished because of the prime minister's peculiar temperament or whether it was precisely his single-minded determination that allowed it to achieve as much as it did. John Campbell, previously a biographer of F.E. Smith, Lloyd George and a short on Roy Jenkins, does not presume so far, but he offers some significant reassessments.

EDWARD HEATH A BIOGRAPHY By John Campbell

Jonathan Cape, £20, 876 pages

The first is that it is quite untrue that Heath was the forerunner of Margaret Thatcher but betrayed the new Tory faith in the market economy by a series of U-turns starting with the rescue of Upper Clyde Shipbuilders. As Campbell convincingly demonstrates, Heath was never much of a free market radical. He was a Tory paternalist who had been effectively, as chief whip, chief of staff to Harold Macmillan. He believed in regional policy, in interventionism and in keeping the closest eye on the employment figures as almost the single key political indicator.

The section on Selsdon Man is brief, but telling. The conference of the Tory shadow cabinet at the Selsdon Park Hotel in early 1970 was not especially about economic policy; it was planned simply to bring all strands of policy together ahead of a general election. Yet the media latched onto it, and Macmillan suggested telling them that it was all about law and order, which the media fell for. It was Harold Wilson who then coined the phrase "Selsdon Man" - "a lurch to the right, an statist desire to reverse the course of 25 years of social revolution... a wanton, calculated and deliberate return to greater inequality".

Initially, the conferences may have helped the Tories because the almost accidental publicity helped to show the country that there was an opposition party in waiting for government. In the longer run, however, the phrase was damaging to Heath since Selsdon Man was all that he wasn't, it represented what he later thought about Margaret Thatcher.

Campbell's other useful reassessment is on Europe. Mythology has it that Heath was a passionate European almost from his birth on the Kent coast. Possibly he was, though not everyone knew it. Campbell suggests that he was put in charge of the original, abortive negotiations with Brussels precisely because, unlike such known Europeans as Christo-

pher Soames, Peter Thorneycroft and Duncan Sandys, he was thought to have an open mind. (Incidentally, it was from that period when he was negotiating terms for over 2,500 products that he became known as "Grocer Heath" - nothing to do with his relatively humble background.)

Campbell convincingly explains one more point. When Britain finally won entry to Europe under President Pompidou, Heath believed that the country must make a dash for growth in order to be able to keep up with its new partners. That was the misleadingly called "Barber boom". It was really the Heath boom. As Lord Barber remains reluctant to say in public, as chancellor he was desperately worried about it, just as he was about the prices and incomes policy espoused by Heath.

The lacuna, as it is in all books on the period, is on the detail of how and why Heath came to call a general election on February 28 1974. If he had held on or just possibly gone earlier, British history in the next few years might have been very different - certainly the history of the Tory party. For this we await Heath's own account, if it ever comes.

Luck has played a large part in his career, not always for ill. He was fortunate to have been number two to Lord Home at the Foreign Office. Thus he had no hesitation in supporting Home for the leadership when Macmillan resigned. In the process his own rivals were largely eliminated, and Heath became the natural successor. The strange unexplained paradox is that in 1970 he won a general election he was expected to lose and in February 1974 lost when he was expected to win. Here surely is the case for fixed-term parliaments.

There are lots of anecdotes along the way. As a boy, Heath called his dog "Erg", after his names: Edward Richard George. Campbell forgets to tell us what kind of dog it is, but it is also possible that the author has a peculiar animus against The Times. Lord Rees-Mogg, editor during the Heath years, will not enjoy being exposed for being almost invariably wrong in his comments.

Malcolm Rutherford

Most Western industrialised countries (in which we should nowadays include Japan) are suffering from similar problems: recession or disappointing growth; high and rising unemployment; and worries about the stability of financial institutions.

Yet so strong is the human instinct to blame everything on an external enemy or opponent that the only slogan under which statesmen can agree to discuss the problem is "lack of competitiveness". This was the theme of both Jacques Delors and John Major at the recent European Community summit in Copenhagen, although their remedies differed.

By accident or good timing, a pamphlet has landed on my desk by John Horam, a former Labour minister, who has persuaded himself that the Tories are the lesser evil and now sits as Conservative member for Orpington. The pamphlet is called *Making Britain Competitive*. Much of what he writes, like most of what his leader said in Copenhagen, makes amenable sense. But in both cases their arguments are spoiled by being put in the competitiveness framework.

The units that compete in world trade are - heavens be praised - individual businesses and not whole nations. One can talk about competitiveness at the national economic level only in a strictly limited sense. A country may have cost levels, at prevailing exchange rates, which are so high as to undermine solvency or to threaten jobs which would otherwise be safe. In this sense, the UK was uncompetitive - as some of us saw only with hindsight - at the old ERM exchange rate. Germany risks becoming so today.

The UK competitiveness problem was dealt with, at least for a time, by devaluation. The D-Mark has risen against some European currencies, but has fallen heavily against the yen and modestly against the dollar. It remains to be seen whether these movements will be enough.

Of course, the benefits of devaluation may be eroded by inflation, as regularly happened in the British case and could happen again. If it does and it need not - then the UK will be seen to have a real competitiveness problem and one which cannot be tackled by monetary or exchange rate manipulation.

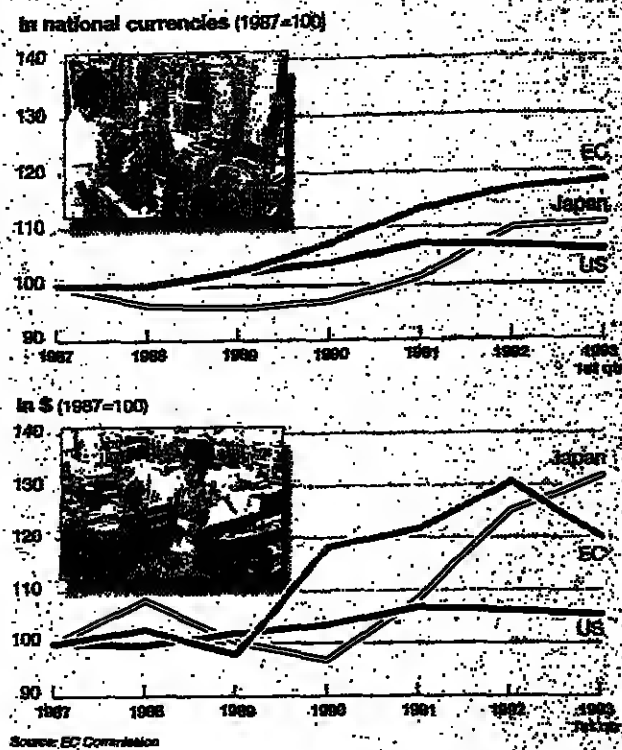
But if most countries, not only the UK and/or Germany,

ECONOMIC VIEWPOINT

Myth of European 'competitiveness'

By Samuel Brittan

Unit labour costs in manufacturing



are in a position where labour costs are too high for full employment, then it ceases to make sense to talk of competitiveness. For competitiveness is a relative concept; and we cannot all be uncompetitive against each other.

The last international figure whom I remember making the point was Emile van Lennep, the Dutch secretary general of the OECD between 1969 and 1984. But Mr Van Lennep firmly rejected any diagnosis of the common problems of member countries in terms of competitiveness. "Against whom should the OECD as a whole be more competitive? Against the developing world? Against the moon?" The problem was, and is, performance, not competitiveness.

Since then, of course, many have asserted that there is, indeed, a threat from the non-OECD world, in particular the Asian developing countries and the former Communist countries of Europe.

The real reason why these countries are unlikely to impose an insupportable threat to jobs in the West is that they do not export to line their bank vaults with yen, dollar and D-Mark notes, but in order to import. Western sales lost in home markets to these new competitors should be compensated by the extra purchases by these countries of western products. Indeed, with their

urgent needs for imports from the West, it is inconceivable that the developing or former Communist countries should try to undervalue their currencies to maintain an export surplus. Their desire, for very good reason, is for the largest imports they can finance. These general thoughts may

be cold comfort to western European steel, textile or coal producers who feel themselves threatened; but the threat is to staying in the same jobs at the same pay rates - not to overall job levels.

John Major's exposition in Copenhagen was, in its statistical illustration, mostly in terms of the EC, on the one hand, and the US and Japan, on the other - in other words, the old rather than the new competitors. The estimates he cited purported to show that the EC had become more uncompetitive against both Japan and the US. This is shown in the top chart by the steeper rise of EC labour costs.

Unfortunately, the figures contained a snag. For they were in terms of national currencies, which ignores exchange rate changes. The bottom chart takes them into account by expressing all costs

in terms of a single currency, namely dollars. This transforms the picture. The EC still looks as if it has become more uncompetitive against the US. But both the US and the Community seem to have become more competitive against

Japan. The latter country has obviously had some success in offsetting increased labour costs by improvements in other aspects of competitiveness. Even so, Japanese industry is clearly feeling the pinch, and American demands for yet further yen appreciation verge on the ludicrous.

What the exponents of the pricing-out-of-work hypothesis have still to explain is why the phenomenon should have got worse decade by decade since the 1970s. A first shot at an explanation is that the labour market has become more differentiated. Market-clearing pay differentials have widened out and are subject to more rapid change - a centralised pay norm would now help much less, even if we could get it. Evidence for this is the widening of pre-tax pay differentials among those who are in jobs.

The changes are much more complex than skilled workers gaining at the expense of unskilled - the German apprentice system is itself looking dated. If there is to be a return to full employment, major improvements will have to be made by employers to find pay rates at which jobs can be offered and there will need to be an end to macho-style management which measures toughness in terms of staff cuts.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Manufacturing is the key to improving standard of living

From Mr Mark H J Radcliffe.

Sir, Samuel Brittan (and Sir James Ball and Donald Robertson), far from exposing "that manufacturing fallacy again" (June 28), have highlighted an economic fallacy. Most economic commentators are undoubtedly technically correct but, in practical terms, are wrong to dismiss the importance of manufacturing in our trade balance. Britain has to balance its books better on international trade and manufactured goods if it wishes to achieve a viable economy and standard of living.

Manufactured goods account for nearly half of UK consumer spending, and three quarters of UK exports. These are produced mainly by world-class companies. Without them, much of the income from invisible, whether royalties, dividends or profit repatriation, would not be achievable.

UK manufacturing industry provides employment for about 4.5m people, and an equal number indirectly in related services. Without this employment, the public sector

borrowing requirement would escalate even further. In any event, it is unrealistic to transfer all the skills to the service industries overnight even if there was a market for them.

The high level of imports is a matter of great concern. That is why the CBI National Manufacturing Council has launched an initiative to rebuild the UK's supply base so as to meet both home and overseas demand more effectively.

Overseas investors can finance the deficit by lending or investing in the UK. Overseas countries currently own about a quarter of Britain's manufacturing industry. But if we fail to develop our manufacturing base we risk losing that as well. Manufacturing industry is the real key to wealth creation. Let us encourage it to compete internationally rather than undermine it with fallacious economic arguments.

Mark H J Radcliffe, CBI National Manufacturing Council, Centre Point, 103 New Oxford Street, London WC1A 1DU

Rediscovered in wrong country

From Mr Mark Hannam.

Sir, With reference to Michael Prowse's review of von Mises' work "Time to rediscover Ludwig von Mises" (June 28), whether his work is or is not an extension of that of

David Hume and Adam Smith, I am sure that von Mises would have known that they were Scots and not English. Mark Hannam, 78 Mayola Road, London E5

Not convinced by gas competition argument

From Mr Ruth Evans.

Sir, Your editorial, "Abolishing the gas monopoly" (June 28), is right to address what benefits competition would deliver to consumers. Neither you nor Ofgas, the gas regulator, has made clear what the costs and benefits would be of the break up of British Gas's vertically integrated business. Given the limits on consumer choice over an undifferentiated product, coming from a single set of pipes, there is no guarantee that consumers would gain from the abolition of price regulation. Therefore, we are not convinced by your conclusion: "The introduction of competition would also bring nearer the day when regulation could be relaxed".

Ruth Evans, director, National Consumer Council, 20 Grosvenor Gardens, London SW1W 0DH

Political donation by consensus

From Mr S G Grant.

Sir, In decision taking regarding political donations, some directors of public companies may be unconsciously influenced by their personal political views rather than by any perception of commercial benefit to their companies.

A number of leading companies do not, however, make political donations and it may be worth recalling the initiative taken by a highly regarded multinational, Unilever. It consulted all its shareholders on a

the generating sector, where two-thirds of costs lie. This is not open competition.

You fail to address what benefits competition would deliver to consumers. Neither you nor Ofgas, the gas regulator, has made clear what the costs and benefits would be of the break up of British Gas's vertically integrated business. Given the limits on consumer choice over an undifferentiated product, coming from a single set of pipes, there is no guarantee that consumers would gain from the abolition of price regulation. Therefore, we are not convinced by your conclusion: "The introduction of competition would also bring nearer the day when regulation could be relaxed".

Ruth Evans, director, National Consumer Council, 20 Grosvenor Gardens, London SW1W 0DH

"one shareholder, one vote" basis, resulting in a narrow majority in favour of political donations. But, as the result was finely balanced, the board of Unilever decided not to go ahead.

The steps taken by Unilever, perhaps carried out periodically, could provide the basis for reform to resolve this contentious issue of political donations to public companies.

S G Grant, 23 Sollershot West, Letchworth, Herts SG6 3PU

US labour market trend offers no solution for EC unemployment

From Mr Richard Senger.

Sir, You report that, to deal with the EC unemployment problem, John Major and others have argued for less regulation of EC labour markets ("Major fires broadside at social policy", June 22). Within the news story and your editorial ("EC plan from Mr Delors") the US is presented as an example of a country where a "flexible" labour market has allowed more job creation than in the EC. The intentions of Mr Major's government further to deregulate labour markets were made clear in the report on the upcoming Trade Union

Reform and Employment Bill ("A-Z of the new law for employers, workers", June 22). The law, by allowing employers to pay more to workers who forgo collective bargaining rights and accept individual contracts, aims seriously to undermine the influence of unions by allowing workers to be penalised for choosing to be members of legal organisations.

The fact that anyone can present the US as an example of labour market practice astounds me. Yes, the strength of unions has diminished over the last 20 years. An impor-

tant cause has been the loss of unionised manufacturing jobs and their replacement by low paying, insecure service jobs lacking union protection.

Nearly everyone agrees the overwhelming majority of jobs created in the US in the last decade have been of this type rather than of jobs allowing the middle-class existence and prospects which an earlier generation took for granted. The declining or stagnant real US wages of the last 15 years, and growing inequality, are the direct results.

Is this the shining star that EC policy makers want to fol-

low? This is not to belittle what is a real problem. Unemployment is rife in all the industrialised countries but its solution must be coupled with moves to guarantee living standards, security and maintenance of workplace standards. How to do this is a big task requiring innovative thinking by governments, unions and employers. This is not made easier by focusing on ideological solutions or ignoring the inequality and injustice "flexible" labour markets create.

Richard Senger, 601 W 122nd St Apt 34, New York, NY 10025, US

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Thursday July 1 1993

Stop the EC waste war

LONG ACCUSTOMED to complaints from its EC partners about high interest rates, Germany now faces criticism for flooding its neighbours with another form of unhelpful export. The cause of the concern is the excessive quantity of waste packaging material generated by Germany's ambitious but ill-thought out recycling scheme.

Having bowed to pressure from environmental lobbyists for hasty introduction of a country-wide collection system, Germany now finds the results are hurting its neighbours and itself. After several skirmishes on the subject among Community environment ministers in recent months, France on Tuesday threatened to ban German imports of packaging material. Other countries may be ready to follow.

The episode highlights the need for sensible EC rules governing waste disposal in member countries. Unfortunately, an EC directive setting down common policies and objectives on packaging waste, under discussion for 24 years, is still a long way from agreement. The issue, which has important repercussions for the functioning of the single market, has been lamentably neglected during the past year. One of the more useful contributions of the six-month Belgian EC presidency which starts today would be to clear up what is rapidly becoming an EC-wide packaging mess.

The nub of the problem is Germany's DSD recycling network, established after a 1991 law obliged manufacturers and retailers to re-absorb wrapping materials. Refuse gathered under the scheme, subsidised by both consumers and producers under a product labelling system, far outstrips the country's capacity to recycle it. As a result, large amounts of waste are roaming

Europe, driving down prices for raw materials such as plastic, paper and board, and damaging recycling industries elsewhere.

The system has other important drawbacks. Rules requiring companies to take part in recycling schemes on a country-by-country basis can discriminate against importers. The main beneficiaries have been German waste contractors: risk-free intermediaries which arrange collection and recycling, and pass on the bills to the central DSD company. Reflecting rising recycling costs, the organisation itself has announced it is in danger of financial collapse.

Outside Germany, Spanish, French and UK producers have been hit by large quantities of subsidised German waste paper, while Belgium and the Netherlands have complained about too much German glass. The DSD's most counter-productive success has been in collecting plastic, which is technologically difficult – and thus uneconomic – to recycle. This year, 400,000 tonnes will be collected, of which an estimated 180,000 tonnes will be sold abroad. Indicating greater realism, Bonn now plans legislation to ease constraints on plastic incineration, which may lower excess supply.

The EC's proposed directive, in its present draft form, offers only half a solution to the free-for-all. The plan calls for countries to recover or recycle a uniform 90 per cent of all packing waste over 10 years, compared with about 20 per cent at present. What is required is a graduated set of rules for different products, linking targets to ease of recycling in different markets. In the meantime, Germany should accept self-restraint on subsidised exports of surplus material. The last thing the EC needs is a war over waste.

Mates and worse

MR MICHAEL MATES, the former Northern Ireland minister, is convinced that something is wrong with the system whereby the controversial businessman Mr Asil Nadir is, or is not, being brought to justice. Who could disagree? Mr Nadir has, with impunity, inflicted losses on hundreds of innocent people. He has obstructed the administrators of Polly Peck, the company he ran into the ground, in their attempts to retrieve something from the wreckage. He has jumped bail, despite retaining enough money to buy the services of the best lawyers in the land.

Yet Mr Mates' worries hinge on the plight of Mr Nadir, now sunning himself in Northern Cyprus. He accuses the Serious Fraud Office (SFO) of a campaign to undermine Mr Nadir's defence. In his own campaign, however, Mr Mates has signally failed to

deliver persuasive evidence. Sir Nicholas Lyell, the attorney-general, was right yesterday to reject the former minister's call for a full independent inquiry and his decision to publish the relevant correspondence, albeit in edited form, is welcome.

Mr Mates' priorities look quixotic. Mr Nadir, in contrast, is no Quixote, but he must be congratulated for finding a Sancho Panza prepared to defend his interests to the death. The government's priority, at this stage, should still be to put Mr Nadir on trial. That may be a pious hope, but the government has little alternative but to apply further pressure on the Turkish authorities to secure Mr Nadir's return. One way or another, the founder of Polly Peck can be relied upon to continue making a fool of Britain's politicians and its courts.

Police service

YESTERDAY'S REPORT from an official committee chaired by Sir Patrick Sheehy advocates far-reaching changes to the pay and grading of police officers in England and Wales. On Monday, the government published a white paper setting out equally radical proposals to shake up police organisation and management. The two documents together provide a blueprint for overhauling Britain's police, the last public service to be subjected to the government's reforming zeal.

The proposals follow a similar route to that already taken in the health service, local government and education. At its heart is a clear distinction between the purchaser of police services, the police authority, and the provider, the police force. Police authorities will develop local policing plans, set targets, determine budgets and monitor the performance of their forces. The 43 police forces in England and Wales will provide the services, with much greater freedom for their managers, the chief constables, to manage their forces.

This approach requires that public services work to clearly defined objectives. It should provide much greater information about how well different police forces perform in achieving their targets. And it allows comparisons to be made between forces, so that league tables can be used to identify best practice and raise the performance of under-achievers.

Inside each police force, responsibility will be delegated to line managers in individual police stations, who will be encouraged to become more responsive to their local communities. Three middle management ranks are to be abolished, and a switch made to fixed-term employment contracts. As in the rest of the public services, performance-related pay will replace the existing pay scales with their

myriad allowances and automatic annual increments. In short, what is proposed is a performance culture within which good policing is rewarded and bad police officers are shunted out of the service.

All of this is welcome, and long overdue. However, setting performance targets needs finesse if the work of an organisation is not to be distorted. Targets for response times to emergency calls, for example, could be achieved by putting more police officers in cars – leaving fewer of the "bobbies on the beat" which most people say they want to see.

And in one respect, the government has failed to learn an important lesson from its reforms of other public services. Better management and tighter focus on clearly defined targets can do much to improve the efficiency of service providers. But creating effective purchasing bodies which are responsive to local needs is not achieved through unselected quangos. They lack the local representation that is essential for creating a responsive service reflecting local priorities. And absence of local accountability deprives management of warning signals that can indicate serious problems, as happened when the new computer system at the London Ambulance Service collapsed.

To his credit, Mr Michael Howard, the home secretary, has stepped back from the proposal of his predecessor, Mr Kenneth Clarke, that Whitehall nominees should dominate the reformed police authorities. But elected representatives are likely to control less than half the votes if the chairman is one of the home secretary's appointees. It is already apparent in the health service that absence of local accountability has impaired effective purchasing on behalf of communities. Ministers are heading for the same mistake in the police service.

A posse of technicians will soon be at work in the Bank of England moving a battery of computer terminals from the deputy governor's office into the governor's next door.

The move of the screens carrying market news between the two "parlours" opening on to the Bank's Garden Court will be the first visible evidence that from today a new hands-on manager, Mr Eddie George, has taken over running the Old Lady of Threadneedle Street.

The 54-year-old Mr George is a keen sailor and so sports the light tan that is de rigueur among modern-day central bankers. But he comes from a very different background from his predecessor, Mr Robin Leigh-Pemberton.

Mr George was the Bank's deputy governor until midnight last night. He is only the third insider to take the top job since the Bank was nationalised in 1946. The computer terminals and the cigarette that is usually in his hand tell of a central banking career that has developed in a symbiotic relationship with the world of financial markets.

Interviewed in his old office this week, Mr George chose his words with a fluent caution born of 31 years working in the Bank.

Spelling out the priorities and concerns that will colour his five-year term of office, he:

● suggested Britain had the potential for recovery continuing "through the rest of this decade";

● warned that there must be limits to the protection that bank depositors can expect;

● reaffirmed his belief in more central bank autonomy while dampening expectations that he would campaign for it; and

● made clear that, while the Bank would act as the "interface" between the City and industry, it was not the governor's job to be the chief spokesman or champion of the Square Mile.

But the word that cropped up most – some 20 times in 50 minutes – was "stability".

Achieving stability is Mr George's prime policy goal. His determination to put stability first bears witness to years of frustration trying to manage monetary policy in a nation that has too often suffered inflation and lurched from slump to boom.

A passionate belief in stability – generally expressed in terms of low inflation – coloured his observations on many issues, ranging from the purpose and morality of monetary policy to central bank independence and European economic and monetary union.

But first he was asked whether his elevation and the appointment of Mr Rupert Pennam-Rea, formerly editor of the Economist, as his deputy would lead to a change of style and management at the Bank after the 10-year governorship of Mr Leigh-Pemberton, who was noted more for his skill in delegation than day-to-day management.

"Yes. There will necessarily be a change of style. I was quite clearly brought up in the Bank and have been totally involved in what you might call the plumbing. So I shall continue to take an extremely close interest in the plumbing."

But being governor necessitates at least 30 days of foreign travel a year. "So, inevitably, I shall be distanced from the day-to-day affairs to a degree that I haven't been hitherto." At those times, Mr Pennam-Rea would "run the Bank in the way that I have done".

But otherwise Mr George seemed determined to stay in control. The only formal change in the management structure would be turning the existing deputy governor's committee, which has functioned as a kind of executive committee, into a more formal executive committee with Mr George, as governor, staying in charge. "I'll chair it when I'm here and Rupert will chair it when I'm away... Rupert and I, I see as being like twin arms of an armchair. I expect us to work extremely closely together."

Unlike their predecessors, both men have a clear mandate from the government to put the combat of inflation before other goals. This new framework and the govern-

Eddie George, who takes over today as Bank of England governor, discusses his aims with Peter Norman and Richard Lambert

A steady hand at the helm



Eddie George: 'By achieving stability, you are better able to achieve growth and improvement in national wealth'

ment's inflation target have been "extremely helpful" and "remarkably successful", says Mr George.

Low inflation is important because it is a necessary condition for economic growth. "I think by achieving stability, you are better able to achieve sustainable growth, sustainable increases in employment, sustainable improvement in national wealth and therefore better able to achieve your social objectives, whatever they are."

It also provides a reliable basis "for taking all the major economic decisions... And I think it is the way we can move towards a long-term economy rather than a

pendent central bank.

"The thing that I shall lobby for is to broaden the constituency and support for stability, because in a sense unless you actually have public, political support for stability... then greater autonomy, statutory accountability, call it what you like, wouldn't be terribly effective."

Although Mr George believes that "on balance and over time" more operational autonomy for the Bank would help it achieve stability, he concedes that "it's not, in this particular set of circumstances, a case that's made." He declines to predict that he will be running an independent Bank of England at the end of his first five-year term.

Independence is no magic black box that brings stability in its wake. "I think there is no doubt that the constituency for stability is the horse. That rest is the cart," he said.

Unlike Mr Leigh-Pemberton, the Bank's new governor is not too enthusiastic about the example of New Zealand, which has given its central bank operational independence while making it accountable to a Westminster-style parliament.

"I don't pretend to be a constitutional expert," he said, but "I do think it's quite dangerous to take any model and simply seek to transpose it internationally. There are a lot of differences between the New Zealand situation and ours. On the whole, it's a small economy, probably more sensitive to monetary instruments than ours is."

By contrast, conducting monetary policy in Britain is a complex business. According to Mr George, "400 pieces of information" have to be taken into account when changing interest rates. The Bank and government must look at the exchange rate and "all the movements of

financial markets. All the monetary indicators, not just broad money. What's happening in credit. What's happening to the sectoral behaviour – the personal sector, the industrial sector, the financial sector. All the real economic indicators. The behaviour of the fall in unemployment and what that is telling us about the economy."

But are not UK interest rates changes political, rather than economic? Mr George looked slightly pained. He admitted that the precise timing of two recent base rate cuts – January 26 and last November – was influenced by political pressures. But he insists: "We took the

The word that cropped up most in the interview – some 20 times in 50 minutes – was 'stability'

initiative to cut interest rates in January and we did in response to the 400 or 4,000 indicators."

However, the perception that the government was behind the move was costly. "It does have a corrosive effect over time, that it creates the impression – I think the largely false impression – that actually monetary policy is dictated by political considerations."

"It's a pity and it's expensive in the sense that perception undoubtedly increases the risk premium that is on UK rates. And you could see it created for a time a weakening in the exchange market which wasn't justified by fundamentals."

Are there not other areas where

the Bank's reputation is endangered? It has had an unhappy record with bank supervision over the past decade, for example.

Mr George believes that supervision "probably can most effectively and efficiently be done here", although he is "not dogmatic or doctrinaire that the consumer protection dimension of banking supervision must remain with the Bank".

What concerns him more is the growing perception among the public in the wake of the closure of the Bank of Credit and Commerce International that bank depositors should be guaranteed against all risk.

"If you produce too much protection to depositors, you can actually undermine systemic stability through moral hazard. I would be extremely worried if people felt that simply because the name of a institution is on the list of authorised institutions that this was in some sense a guarantee against risk."

"There is risk in all financial transactions and I think it's pretty dangerous if we lead people to thinking that that can be eliminated. They need to take responsibility for what they do themselves with their money."

But does this approach to consumers mean that Mr George sees himself as a spokesman for the City? "I don't think I would feel that the governor of the Bank should be chief spokesman for the City. I think the governor should be the chief spokesman for sound money."

There are circumstances where "the governor of the Bank of England needs to represent the concerns of financial institutions if he feels they are not being understood by government," he says. But the governor is "not a champion for the financial institutions". The Bank has a "catalytic role". It tries to ensure that the conditions are right for the financial industry to prosper. But Mr George wants to "step back from the idea of being the spokesman for the City almost in opposition to other parts of the economy. I just see the City being part of my work," he says.

The clock is ticking. "Books", the morning meeting of the Bank's directors, is less than 10 minutes away and questions still have to be put about the European exchange rate mechanism and the European Community's plans for economic and monetary union.

Stability first is the watchword for Europe as well as for the UK. "I've basically had the view that you really have to achieve internal stability first. If you do that in convergence with the other major countries that will actually deliver *de facto* as much exchange rate stability as realistically is achievable," he says.

"The hesitations I've always had in connection with the ERM or even more in relation to ERM is trying to do the thing the other way round, to fix the exchange rate in nominal terms and to hope or expect that that will deliver internal stability within the area of the exchange rate arrangement... I think the tensions we've seen in the past year in the context of a hardening of the ERM essentially reflect the fact that we got the cart too far ahead of the horse."

On the other hand, the Maastricht convergence criteria "are not a bad guide to sensible national policy management". It would be fine if Britain and the other EC countries eventually meet the criteria and want to go ahead with ERM, but Mr George suggests it will take longer than the final deadline of 1999 set out in the treaty.

If the rest of the UK's EC partners rush ahead with union and Britain stands aside "that wouldn't be necessarily the worst thing in the world".

Looking ahead, Britain, for once, has a "realistic chance of rather well sustained expansion", he says. Relations between the Bank and the Treasury are good. Although Mr George "hesitates to predict" that such happy circumstances will continue, he gives the appearance of a man starting his term of office in a strong and contented position.

Quick and the dead

■ Slow-moving cortages could soon be a thing of the past if we're to put a liberal interpretation on the words of one Alan Edwards, president-elect of the Funeral Standards Council. Some funeral directors are failing to keep pace with consumer expectations...

As part of its "quest for excellence", the newly-formed undertaking is to appoint a funeral ombudsman. Since there hasn't been one to deal with matters of death before, the first incumbent will be advised by the body concerned with perhaps the nearest equivalent: the Insurance Ombudsman Bureau.

Given the nature of the job, however, the council might do well to arrange for additional advice from the Society for Psychological Research. After all, to keep proper watch over the quality of services, the funeral ombudsman will need ways of hearing complaints from the principal consumers who, given modern methods of disposal, will in most cases have themselves been consumed.

Winged words

■ "What's in a name?" If Shakespeare's Juliet asked her oft-quoted question at the moment, the corporate world could supply

some punny if not funny replies.

Ratners, whose name was perhaps indelibly tarnished by association with crap, has re-titled itself Signet Group.

The new name has "a nice ring to it", explains chairman Jim McAdam. Besides, in sound albeit not in spelling, it has transformed what had been an ugly duckling into a young swan.

New feathers have also been taken on by Control Securities, just switched to Ascot Holdings. Finance director John Kerslake says that although some old geezers are still around there, that is not why the new name was chosen. Nor has it anything to do with hot water.

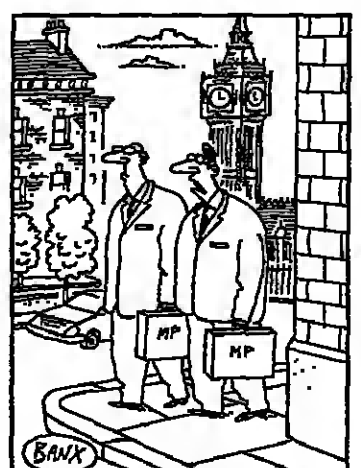
Moreover, although it's purely a flight of fancy, Kingfisher's progress since its translation from Woolworth suggests yet a further change.

Surely Heron would do well to rename itself Phoenix now it is rising anew from the flames – lit by a Ronson, of course.

Fellow traveller

■ At risk of damning him with faint praise, Chris Green, managing director of British Rail's InterCity subsidiary, enjoys a reputation as one of the railway's brightest sparks. All the more bizarre, then, to find him going out on a limb yesterday by publishing his own rather eccentric version of InterCity's annual results. His motives look simple enough.

OBSERVER



"Michael Mates will be able to spend longer with Asil Nadir's family"

By defying the new (and entirely commendable) accounting standards adopted by the British Railways Board, he has created the illusion that his profits have gone up instead of down. But what on earth can have been going through his mind to make him think people would fall for such a ploy?

Unfortunately Observer was unable to ask him because he had gone on holiday to Turkey, leaving Sir Bob Reid, BR's hapless chairman, to sort out the mess. Let us hope it is a long and restful break, and that Green comes back more like his old self. Heaven

knows, privatisation poses enough problems for BR without one of its most respected and influential managers going off the rails.

Hanson melody

■ Don't call us, we'll call you. Hanson's latest communications gimmick was the transatlantic conference call organised yesterday to broadcast news of its \$3.2bn purchase of Quantum Chemical.

While waiting for the 15-minute "informational presentation" to begin, the 150 listeners in the US and the 92 in the UK were entertained with a jazzed-up rendition of Somewhere over the rainbow.

Whether the encore will be Fannies from heaven or pie in the sky, must remain to be seen.

Hot tip

■ However much the sun may shine on Britain during the rest of the present summer, certain of the Church of England's more traditionally minded members must be banking on a far sunnier one next year.

The reason lies in their belief about the Almighty's attitude to the controversial Bishop of Durham, David Jenkins, who in his past days as a professor of theology has waxed a touch sceptical about the virgin birth and the resurrection.

Three days after he was consecrated as bishop in York

Minister in 1984, the building was struck by lightning and badly damaged by fire. The traditionalists decided it was a sign of God's disapproval of the appointment.

If so, with the 68-year-old Jenkins under notice to retire in 12 months time, heaven should surely turn on the heat benignly in celebration.

Out of order

■ Britain's coppers might see BAT chairman Sir Patrick Sheehy as taking a liberty in proposing an end to the tradition of jobs for life for the men and women in blue. Although other ranks in BAT tend to retire at 60, the 62½-year-old Sheehy has already twice delayed his departure after 43 years with the company and means to hang on for two or three more.

Approach with care

■ Notice to mariners. If the bank balance is running low it might be worth giving Salters Marina in Poole a wide berth. It has been identified as the country's most expensive yacht marina by the Royal Yachting Association. It charges \$3,888 a year, plus harbour dues, to moor a 30-foot yacht, which is nearly 50 per cent more than it costs to reserve a space in one of NCP's city car parks. Salters' managing director John Smith is unrepentant about his charges. "Everything about this place is quality," he told Lloyd's list. "We have five gold anchors..."

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FINANCIAL TIMES

Thursday July 1 1993

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 WORLDWIDE EXPERTISE AND RESOURCES

Eddie George cites potential for economic expansion throughout 1990s

New Bank head sees UK upturn

By Peter Norman in London

BRITAIN HAS the potential for an economic recovery that could continue through the rest of this decade, according to Mr Eddie George, the new governor of the Bank of England.

In an interview with the Financial Times, Mr George said the UK has a "realistic chance of seeing rather well sustained expansion", although he admitted that the start of the recovery would be gradual because of the large overhang of debt in the private sector.

While making clear his doubts about the European Community's plans for economic and monetary union, Mr George, who became governor today, said he believed Britain would be able to meet the convergence criteria laid out in the Maastricht treaty "over the Maastricht time scale".

His remarks suggested that the UK's ratio of annual budget deficit to gross domestic product

would fall to 3 per cent of gross domestic product by the end of the decade from about 8 per cent projected by the Treasury for this financial year, and that Britain would have an inflation rate in line with the best performing EC member states at the end of the 1990s.

However, Mr George admitted that "we could always throw it away, either through policy errors or in the economy at large through bad behaviour". But he said he believed that Mr Kenneth Clarke, in describing himself as a "political chancellor", would pursue "prudent policies which offer the best chance of achieving sustainable recovery and sustainable expansion".

Mr George told the FT that he was content with the current level of UK interest rates and sterling's exchange rate.

But yesterday afternoon, when giving testimony to the House of Commons Treasury and Civil Service Committee, he said

"some weight" could be taken off UK interest rates if the government succeeded in cutting its public sector borrowing requirement from the current level of £50bn a year. He added that another factor that would "tend to ease pressure" on British interest rates would be a fall in German rates.

Mr George told the FT and admitted to MPs that there were cases in the past when the tactics surrounding UK interest rate changes had been determined by political rather than monetary policy considerations. "The results have been damaging for the UK economy for a little while".

He indicated that the differences had not been so serious as to cause the Bank to "make a song and dance" about the matter.

In his comments to the Commons committee, Mr George promised that the Bank would be more open to outside scrutiny under his governorship and went

further than in his FT interview in outlining the greater autonomy that he would like for the Bank of England.

He said he would favour the Bank being given a "mandate" from parliament which would set price stability as its objective and give it the tools to achieve this through the setting of short-term interest rates.

But the Bank would have to be made accountable to parliament and he was reluctant to define how this should be done. However, greater accountability would make it easier to identify those responsible for economic policy errors in the UK, he said.

The hearing in the Commons also threw more light on the role that Mr Rupert Pennant-Rea would play as deputy governor of the Bank. He said he regarded Mr Pennant-Rea, who until recently was the editor of the Economist magazine, as "a co-governor".

Steady hand at the helm, Page 17

US court blocks Nafta deal over environmental impact

By Nancy Dunne in Washington

US-MEXICAN relations were jeopardised yesterday after a US federal court ruling which effectively blocks approval of the North American Free Trade Agreement this year.

Mr Charles Richey, a US federal judge, yesterday blocked congressional passage of the North American Free Trade Agreement until the Clinton administration submits an environmental impact statement, a procedure which can take months or years.

Although the decision can be appealed to a higher court, that legal process is also time-consuming, and the US, Canada and Mexico have little time to spare if they are to implement Nafta as scheduled by January 1 1994.

The judge ruled that Nafta violated the National Environmental Policy Act in a 23-page decision, he said that Mrs Carla Hills, the former US trade representative, and former president George

Bush had violated the Administrative Procedures Act by negotiating and signing the treaty without first assessing the impact on the environment.

The environmental policy act requires an impact statement for "every recommendation or report on proposals for legislation and other major federal actions significantly affecting the quality of the human environment".

The judge said: "Nafta will have significant environmental effects and... may worsen the environmental problems already existing in the United States-Mexico border area. The defendant has ignored the clear language and the legislative mandate of the act".

The suit was brought by three environmental groups - Public Citizen, the Sierra Club and Friends of the Earth.

Mr Michael McCloskey, chairman of the Sierra Club, said: "This critical decision means trade agreements can never be negotiated again without a con-

scious consideration of the environment. This is a defining moment for the future of trade agreements".

A member of the Sierra Club estimated that it would take six months to a year to complete an environmental impact statement.

Another environmentalist said the ruling would actually help the Clinton administration, giving it a rationale to delay introducing an unpopular trade agreement.

However, the judge let the administration off lightly noting that Nafta was negotiated by Mr Bush and Mrs Hills and thus this lawsuit "should not be construed as a failure of the present administration".

The Bush administration and its successor had argued in court that the requirements to submit environmental impact statements did not apply to free trade agreements.

They said it would also interfere with the president's duty to conduct foreign policy.

Agnelli says Fiat paid bribes

Continued from Page 1

way affect reliability of our financial statements since the total is no more than 0.024 per cent of consolidated stockholders' equity".

In this respect, Mr Agnelli yesterday showed his full faith in Mr Francesco Paolo Mattioli, the chief financial officer and one of the two most senior executives to be jailed while being interrogated on charges of alleged corruption. Mr Mattioli was paraded to the press to underline the point that his prison spell had not affected his job.

Defending the behaviour of around 20 executives in six companies which are involved in inquiries into corruption by magistrates, Mr Agnelli said: "Our managers claim they were obliged to make such payments to prevent their companies from being forced out of the market or to avoid harassment in the course of the public works or supply contracts".

This repeated defensive line of most industrialists caught up in the corruption scandal - they were not the corruptors but the corrupted.

Mr Agnelli was vague about the extent of his suspicions of the level of corruption practised in Italy. But he conceded he had always had some reservations about Cogefar-Imperial, the group's construction arm.

Mr Cesare Romiti, the group's chief executive officer, also gave a robust defence of his own role in the corruption affair.

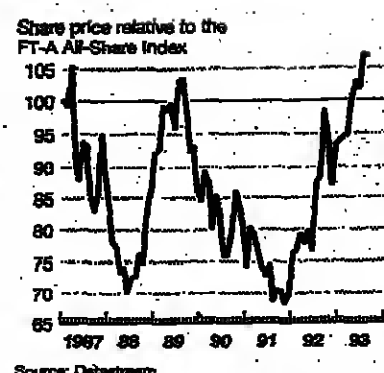
Mr Romiti claimed that when earlier this year the scale of Fiat's involvement became clear, a meeting of the group's 40-person co-ordination committee was called and a new ethical code was drawn up.

Hanson's Quantum theory

THE LEX COLUMN

FT-SE Index: 2900.0 (+14.0)

GEC



Source: Datastream

It is perhaps an indication of Hanson's stolid mass that a \$3.2bn deal will have a modest impact on the company's prospects. It is also a mark of the caution in takeovers that agreed deals with appropriate due diligence are the model for the 1990s. Hanson's claim that Quantum will be mildly earnings-enhancing in 1994 looks reasonable given reduced interest costs and the improvement in operating profits which was expected prior to the deal. That said, the petrochemicals market remains fiercely competitive and further consolidation is required, as Quantum's hard-pressed position showed all too well. Yet even if Quantum's earnings double in 1995, and Hanson's rating remains unchanged, the acquisition will add less than 10 per cent to the value of the group.

The constraint on Hanson's ability to complete a very large deal is shown by the strain on its balance sheet. Gearing was 18 per cent at the last year end, but if the current transaction is completed in time to be consolidated, gearing will rise to over 80 per cent this year. In part that reflects the rise in the dollar, and interest cover is more than adequate. Nonetheless, a deal which would have had a substantial impact on Hanson's prospects would in all probability have pushed gearing to unacceptable levels.

Disposals thus seem likely, and it may be that smaller businesses in the US or even Quantum's propane retailing operation will be put on the block. For the foreseeable future, however, Hanson is stuck with organic growth and bolt-on acquisitions. A cyclical upturn would help, but it is all a far cry from the gung-ho raiding of the 1980s.

UK gilts

The cover at yesterday's gilt auction was the lowest since January 1988, but the market was quick to overcome initial disappointment. For the time it seems determined to look on the bright side, including funding carried over from 1992-93, the authorities have raised over £20bn so far this financial year, of which nearly £6bn has come in June. The speed with which demand revived as the market fell yesterday suggests an appetite for more despite the recent fall in yields. The Bank is so far ahead that it can afford to slow the pace of its borrowing substantially if it chooses. With hindsight it could even be argued that low cover was a sign of how confident the market actually is.

It may have deterred bargain hunters from making roving bids. Such arguments advanced after the event, though, begin to smack of complacency. With so many gilts to sell, the authorities need the help of overseas buyers. They in turn must have some confidence in sterling's exchange rate and a reasonable yield premium over alternative paper.

The message from yesterday is that there are still enough international investors who feel comfortable even with sterling at a rate around DM2.55. But the yield differential between gilts and German bonds has shrunk to little more than 100 basis points, which starts to look tight. The markets have treated Mr Kenneth Clarke kindly so far, but he does not have much room for error. Just £350m fewer bids out of yesterday's £3.56bn would have left the auction uncovered. One wonders how quickly the market would then have regained its poise.

GEC

The travails of technology companies around the world from IBM to Philips and Olivetti go some way to justifying the caution of Lord Weinstock and GEC. Consumer electronics and basic computing have become cut-throat commodity businesses. GEC's refusal to expand into such markets earned it many critics in the late 1980s; it now looks more sensible. Meanwhile the traditional focus on cost reduction has cut working capital by a further £170m in the year just ended, albeit helped by advance customer payments.

Of the main operations GEC also, the power generation and trans-

port joint venture has exploited world-wide demand for combined cycle gas equipment. Admittedly it is low margin business, but potential for expansion in Asia compensates for that. Defence has increased its order book by 9 per cent despite cuts in western defence budgets. Telecommunications has suffered from the reduction in BT's capital programme, but even this division will benefit in future from System X upgrading and more sophisticated software development.

GEC has shifted away from its dependence on the UK government and is also moving towards less capital intensive manufacturing areas. It stands a better chance of earning good margins in such businesses as air traffic control and medical systems. The market has markedly changed its view on the company despite the predictable earnings track. Yet GEC's capacity to capitalise on its current position will still depend on its political access to governments worldwide. That can never be fully guaranteed.

British Rail

At last, British Rail has chugged into the modern world of accounts by ascribing a balance sheet value to its track and signalling infrastructure and depreciating it over its economic life. InterCity grumbles this rather spoils its figures but the change only brings BR into line with standard practice elsewhere. It is necessary to put a commercial valuation on BR's assets even if the government's plan is for piecemeal privatisation. Only then will would-be buyers be able to see what individual parts are really worth.

BR clearly could not become a viable private sector business as it stands. An operating margin of 0.4 per cent on a turnover of £3.1bn before revenue grants is unlikely to attract any investors. In the government's scheme, BR will be fragmented into some 50 pieces and the best bits pointed towards the private sector.

Here, crude cash calculations will be the most critical factor. BR's accounting changes give the appearance of fattening up profits. Paradoxically, though, the less profitable that individual operating units are, the greater their attractions may be. Providing the government concedes large, continuing subsidies to such franchises, a higher level of fixed income would accrue to their owners. By cutting costs, private sector operators might then be able to generate a reasonable return.

Latour

Continued from Page 1

£147m (\$220m) foreign currency loss in 1991. The focus switched to international growth brands and improving return on assets. Despite its prestige, Latour yielded profits of only £5m a year. The purchase price values it at little more than half its estimated value two years ago.

Allied, which has been associated with the vineyard for over 30 years, emerges from the deal with a small profit. It became the majority shareholder in 1988 when it paid £58m for the 53 per cent stake held by Pearson, owner of the Financial Times.

Pensions directive scrapped

Continued from Page 1

diversification rules did not go far enough. Britain had urged that the directive contain no restrictions on currencies at all but should instead require "prudent" investment.

One stumbling block appears to have come from the Dutch government which sought to exclude its ABP civil service pension scheme from the directive. The fund, by far the Netherlands' largest, is only allowed to invest up to 5 per cent of its assets abroad and the Dutch government feared the directive could prompt quick disinvestment in

local markets.

Also, the French government in particular had objected to rules allowing fund managers to select a custodian for assets outside the country.

Arguments put forward by the French were that pension schemes needed to reassure themselves of the safety of their assets by requiring them to stay physically near-by.

Mr Humbert Drabbe, head of the insurance and pension funds section of the EC's internal markets and financial services division, said that it was hoped that some compromise could be reached this autumn.

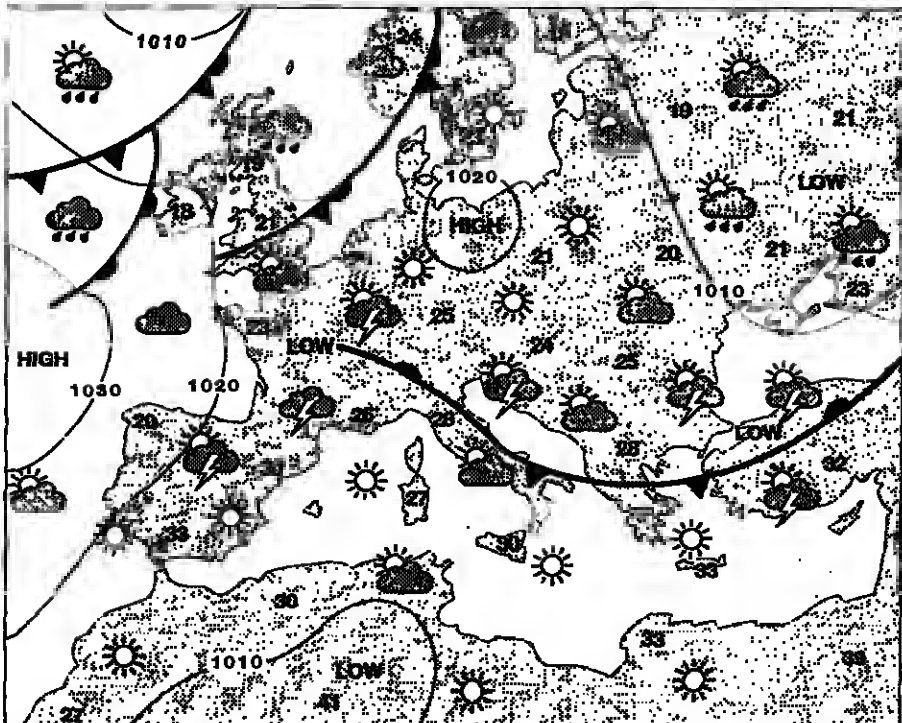
FT WORLD WEATHER

Europe today

A small area of high pressure over Denmark will cause light winds over the North Sea countries. There will be abundant sunshine over the Low Countries, Germany, and the south of Scandinavia. Afternoon temperatures will climb as high as 23-27°C. Norway and parts of Sweden will face a cloudy day with local outbreaks of light rain. An active frontal disturbance approaching the Hebrides brings in rain over Scotland and Ireland. Over the northeast of Spain, France, and the north of Italy, showers will develop, some of them accompanied by thunder. Sun and tropical heat still predominate over the Mediterranean and bordering countries. Showery conditions prevail around a depression over west Russia. Thunderstorms may develop over the Ukraine and locally over Turkey.

Five-day forecast

From tomorrow, a westerly airflow penetrates into the North Sea area. As a result, conditions will become less settled, especially over northern regions. Increasing high pressure over France and the Alpine states will suppress shower activity over central Europe from Saturday. The heat in Spain and Portugal will become more intense. It will remain changeable in eastern Europe.



Forecasts by Meteorological Service of the Netherlands

TODAY'S TEMPERATURES						Forecasts by Meteo Consult of the Netherlands		
Maximum	Berlin	sun 23	Chicago	thund 29	Faro	sun 27	Majorca	fair 30
Celsius	Bermuda	fair 28	Colombo	fair 29	Frankfurt	sun 31	Manila	rain 30
Abu Dhabi	Birmingham	fair 23	Copenhagen	fair 23	Geneva	thund 23	Manchester	cloudy 21
Accra	Bogota	fair 18	D'Salleam	fair 27	Glasgow	rain 20	Mexico City	fair 20
Algiers	Bombay	shower 23	Delft	fair 35	Hamburg	sun 30	Melbourne	cloudy 21
Amsterdam	Bordeaux	shower 23	Dallas	fair 35	Helsinki	cloudy 19	Miami	shower 23
Athens	Brussels	sun 27	Derwen	sun 41	Hong Kong	thund 32	Milan	thund 28
Bangkok	Budapest	sun 24	Doha	fair 41	Honolulu	fair 31	Moscow	fair 17
Barcelona	Buenos Aires	rain 18	Dubai	sun 41	Ile de Man	cloudy 18	Montreal	fair 28
Beijing	Calcutta	sun 39	Dublin	cloudy 19	Istanbul	fair 25	Moscow	shower 19
Belfast	Cape Town	fair 21	Dubrovnik	fair 29	Jersey	fair 29	Munich	show 19
Belgrade	Caracas	shower 30	Edinburgh	cloudy 20	Karachi	fair 35	Nairobi	fair 21
					Kuwait	sun 46	Naples	show 28
					La Paz	sun 18	Nassau	fair 24
					Las Palmas	fair 25	New York	show 24
					Lisbon	fair 24	Nice	show 26
					London	fair 24	Nicosia	sun 34
					Los Angeles	sun 28	Oso	cloudy 26
					Luxembourg	fair 25	Paris	show 24
					Lyon	thund 23	Perth	show 17
					Madrid	fair 22	Praga	sun 22
							Prague	sun 22
							St. Louis	fair 23
							Sydney	fair 24
							Taipei	sun 35
							Tokyo	sun 24
							Toronto	fair 22
							Ulaanbaatar	fair 24
							Vancouver	fair 19
							Venice	show 26
							Vienna	sun 24
							Warsaw	fair 21
							Washington	cloudy 31
							Wellington	fair 8
							Whitby	rain 21
							Zurich	fair 24



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INSIDE

Audi driven into DM198m loss

Audi, the German carmaker, slumped into a DM198m (\$117m) pre-tax loss in the first six months of this year as turnover tumbled almost 30 per cent to DM5bn. Global sales fell 26 per cent to 198,000 cars. Page 20

Fiat plans sell-offs to cut debt

Fiat, Italy's largest private group, plans to raise up to L3,000bn (\$1.9bn) this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to L1,000bn. Page 20

Westinghouse names new head

Westinghouse Electric, the troubled US conglomerate, has named Mr Michael Jordan, a former head of International Operations at PepsiCo, as its new chairman and chief executive. Page 22

HK analysts see Murdoch's return

Mr Rupert Murdoch is unlikely to shelve plans for an alliance with Hong Kong's Television Broadcasts (TVB) even though his bid to acquire 22 per cent of the company has run into regulatory difficulties, according to local media analysts. Page 23

Queuing up for take-off

The 1990s seem an unlikely time to start up an airline business but the US Department of Transportation calculates that 15 new airlines came on stream in the US in the year to April and another 20 applications are in the pipeline. Page 23

ICI calls for industry restructuring

ICI, the chemicals group, is calling for a restructuring of Europe's struggling polyurethanes industry and says it is prepared to participate. The market is struggling from a combination of over-capacity, falling demand and tumbling prices. Page 28

Hartstone stuns the City

Hartstone, the hosiery and leather goods group which has issued three profits warnings in recent months, has stunned the City with £31m (\$46.5m) above the line costs, forcing it into pre-tax losses of £9.8m for the year. "The figures were a shambles," said one London analyst. Page 28

RTZ sells US interests

RTZ Corporation, the world's biggest mining group, has sold the three gold and silver mines it acquired in February when it made a \$470m move into the US coal business. Page 31

Soybeans rally in Chicago

The heaviest US rainfall in 30 years is trimming harvest prospects of maize and soybeans. At the Chicago Board of Trade, soybeans for harvest-time delivery have rallied 12 per cent since June 15. Page 32

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Financiel Telecom	28	Stamm	28
GE Capital	31	TG	28
GEC	31	TG Europe	28
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HJ Heinz	33	Wacker	28
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Chief price changes yesterday

FRANKFURT (DM)		LONDON (Pence)	
Bank	152	Bank	152
Deutsche	152	Deutsche	152
Commerzbank	152	Commerzbank	152
Disconto	152	Disconto	152
Handelsbank	152	Handelsbank	152
Industriebank	152	Industriebank	152
Landesbank	152	Landesbank	152
Montesche	152	Montesche	152
Neubank	152	Neubank	152
Oldenburger	152	Oldenburger	152
Paribas	152	Paribas	152
Reichsbank	152	Reichsbank	152
Saxische	152	Saxische	152
Sparkasse	152	Sparkasse	152
Thüringische	152	Thüringische	152
Westfälische	152	Westfälische	152
Wuppertaler	152	Wuppertaler	152

New York prices at 12.00.

LONDON (Pence)		FRANKFURT (DM)	
Bank	152	Bank	152
Deutsche	152	Deutsche	152
Commerzbank	152	Commerzbank	152
Disconto	152	Disconto	152
Handelsbank	152	Handelsbank	152
Industriebank	152	Industriebank	152
Landesbank	152	Landesbank	152
Montesche	152	Montesche	152
Neubank	152	Neubank	152
Oldenburger	152	Oldenburger	152
Paribas	152	Paribas	152
Reichsbank	152	Reichsbank	152
Saxische	152	Saxische	152
Sparkasse	152	Sparkasse	152
Thüringische	152	Thüringische	152
Westfälische	152	Westfälische	152
Wuppertaler	152	Wuppertaler	152

Ferruzzi plans big rights issue

By Haig Simonian in Ravenna

FERRUZZI Finanziaria, the Italian holding company saddled with total borrowings of more than L31,000bn (\$20.2bn), is expected to launch a big rights issue to recapitalise its shaky finances after a special shareholders' meeting planned for August 31.

The assembly, announced at Ferruzzi's annual general meeting yesterday, will formally write down the debt-laden group's capital after last year's consolidated losses of L1,667bn.

Mr Carlo Sama, Ferruzzi's outgoing managing director, told shareholders that Ferruzzi's high debts and heavy interest charges had resulted in a L491.6bn loss for the parent company in the first five months of this year. The news, combined with fears of an impending rights issue, triggered a record low in Ferruzzi's share price with a 10.3 per cent fall to L447.1 in Milan.

Italian company law requires a

write-down if a company's losses exceed two thirds of its shareholders' funds. Approval for the write-down will almost certainly be followed by a capital increase.

The rights issue is likely to formalise the position of Ferruzzi's five main creditor banks, which now effectively run the group.

Earlier this month, Ferruzzi and members of the controlling Ferruzzi family called on the five banks to prepare a rescue package, which should be ready shortly before the special shareholders' meeting.

holders' meeting.

The banks, which could convert some of their debt into equity, yesterday began to take a bigger role at Ferruzzi with the confirmation of Mr Guido Rossi and Mr Enrico Bondi, two bank-appointed executives, as Ferruzzi's chairman and managing director respectively.

The appointments were accompanied by the resignation as chairman of Mr Arturo Ferruzzi, son of the group's founder, Mr Serafino Ferruzzi.

Mr Sama, the husband of one of the founder's daughters, also stepped down as deputy chairman and managing director, although he remains on the board.

Ferruzzi announced the appointment of a slimmed-down 15-person board, largely composed of existing members. The new board will remain in place until the special shareholders' meeting, after which it is expected to be slimmed down further. Abandoned grandeur, Page 20

Tony Jackson and Paul Abrahams report on UK conglomerate's bid for Quantum

Anyone who thought Hanson was settling into a sedate old age was swiftly disabused yesterday. Lord Hanson and White may be getting on in years. But as their \$3.2bn bid for Quantum Chemical shows, they are still good for a gamble.

In bidding for Quantum, one of America's biggest bulk petrochemicals makers, Hanson is taking on a hugely indebted company in a wickedly cyclical industry. Bulk plastics prices have plunged in the recession. In the past two years, Quantum has made net losses totalling \$411m. Its net worth is minus \$471m. Hanson, with no previous experience of petrochemicals, is betting the cycle is about to turn up.

If the gamble sounds heroic, Hanson is shortening the odds in three respects. First, it is paying Hanson shares for Quantum's equity, valued at \$720m. Second, it will refinance Quantum's \$2.5bn debt mountain at much lower rates.

Hanson has worked this tactic before, in taking over the similarly over-borrowed aggregates and housebuilding company Beazer for \$261m (\$26.5m) two years ago. Quantum, Hanson said yesterday, is paying rates of more than 10 per cent on its debt. "We currently borrow at less than half that rate," Hanson said. The net effect, it claims, will be a saving of \$125m in the first year.

Third, Quantum has just invested \$1.5bn in new plant. This gives Hanson crucial breathing space. Highly capital intensive industries such as petrochemicals can generate cash even while recording losses. This is especially true if, as in Quantum's case, there is the prospect of an investment holiday for the next few years.

But the real prize would come if the cycle turned up. Last year, Quantum made operating profits of just \$61m on sales of \$1.2bn. In 1988, at the peak of the cycle, it made operating profits of \$780m. Hanson calculates that every cent per pound on the price of polyethylene adds \$35m-\$40m to

Hanson bets on rebound in plastics market

profits. "We know that patience is required," Mr David Clark, chief executive officer of Hanson Industries in the US, said yesterday. "But we would rather get in while we have a chance to buy value."

The target's US position

Product	Market share by sector	Market share (%)
Low density polyethylene	1	20.5
Linear low density polyethylene	3	16.5
High density polyethylene	2	13.7
Acrylic acid	2	29
Vinyl acetate	2	23
Hot melt resins	1	31
Wire and cable resins	2	20
Colour concentrates	2	20
Ethanol	2	30

Source: Quantum

Though Hanson is new to the world of petrochemicals, it has plenty of experience of the bulk chemicals cycle. In 1985 Hanson acquired the US conglomerate SCM, the world's third biggest producer of the chemical pigment titanium dioxide. Hanson bought SCM at the bottom of the cycle. It then sold off the rest of the company, thus getting the titanium dioxide business almost for nothing. Then the cycle turned up, and in the late 1980s Hanson profited hugely.

What are the chances of pulling off the trick again? All plastics are suffering from over-capacity, poor domestic demand, rock-bottom prices and a collapse in export markets, in particular to Asia.

The low density polyethylene (LDPE) sector, of which Quantum is the US's largest manufacturer, is probably the best placed of all plastics markets. The company has an annual capacity of about 717,000 tonnes and about 20.5 per cent market share.

LDPE is profitable at the moment, and there isn't much additional capacity to come on stream, says Mr Don Bari, a partner at Chem Systems, the specialist consultants. Supply and demand is not too badly out of shape, he says, with American LDPE capacity expected to be 3.7m tonnes next year and domestic production requirements at 3.43m tonnes.

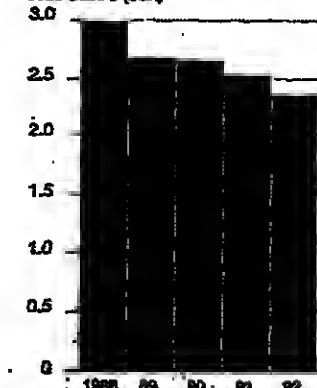
However, the outlook for linear low density polyethylene (LLDPE) and high density polyethylene (HDPE) is far grimmer. The two markets are closely linked because many US plants are capable of switching production from one to the other.

Quantum is the second largest producer of HDPE, with capacity of about 778,000 tonnes a year, and about 14 per cent of the US market. It is also the third largest US manufacturer of LLDPE with capacity of about 300,000 tonnes a year and about 16.5 per cent of the US market.

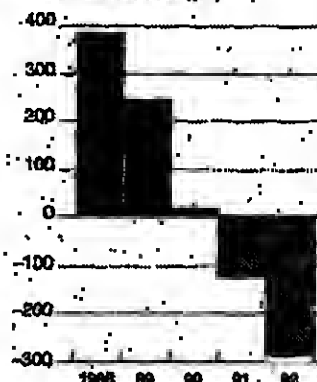
Analysts believe there is not a single manufacturer of HDPE in the US making money at the moment. From a peak of about 45

Quantum Chemical

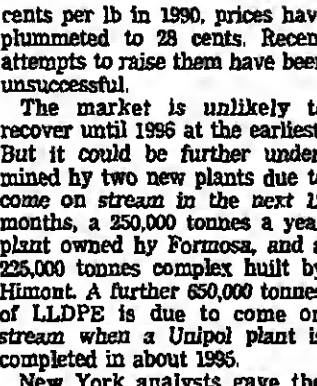
Net sales (\$bn)



Net income/loss (\$m)



Capital expenditure (\$m)



cents per lb in 1990, prices have plummeted to 28 cents. Recent attempts to raise them have been unsuccessful.

The market is unlikely to recover until 1996 at the earliest. But it could be further undermined by two new plants due to come on stream in the next 12 months, a 350,000 tonnes a year plant owned by Formosa, and a 225,000 tonnes complex built by Himont. A further 650,000 tonnes of LLDPE is due to come on stream when a Unipol plant is completed in about 1995.

New York analysts gave the deal their cautious approval yesterday. Mr Paul Raman, of SG Warburg, said: "Fundamentally, this appears to be a good deal for



Hanson's David Clark

both companies." Hanson, he suggested, might float off the Suburban Propane business for \$400m, sell the Texas ethylene plant for \$700m and shed the rest of the non-polyethylene business for \$650m.

It would be surprising if Hanson has not done sums along these lines. But the key point remains the timing of the chemicals cycle. In buying Beazer, Hanson was taking a similar punt on the aggregates cycle in the US. So far, the results have been meagre. Given the higher stakes in the Quantum deal, there is less margin for error this time.

Additional reporting by Karen Zagor in New York. Lex, Page 18

Goldsmith sells more Newmont shares

By Kenneth Gooding, Mining Correspondent

SIR JAMES Goldsmith, the semi-retired international financier, is for the second time taking advantage of the recovery in the gold price he helped to stimulate, by selling another substantial part of his shareholding in Newmont Mining, North America's biggest gold producer.

At yesterday's price, the public offering of a 12.5 per cent stake Newmont would bring in \$440m. This follows his sale of 9.5 per cent of Newmont to a banking consortium for about \$290m on May 11 and the deal on April 23 which sparked off the present gold price surge. On that occasion sold a 10 per cent Newmont stake to Mr George Soros, another high-profile financier.

Sir James used some of the proceeds from that deal to buy call options in the gold market. This helped push the gold price to close at \$378.25 in London yesterday, a rise of 16 per cent since January.

Mr Soros paid \$39.50 for each Newmont share; the banking consortium re-sold its stake at \$45.50 and yesterday the price was above \$52.

Sir James paid \$1.1bn cash or \$39 a share when he and his friend Lord (Jacob) Rothschild swapped timber assets for the Hanson conglomerate's 49 per cent shareholding in Newmont in October 1990. When the public offering is completed, Sir James's investment vehicle General Oriental will retain 5 per cent of Newmont and Lord Rothschild's RIT Capital Partners, which is to contribute 1.6m Newmont shares to the offering, will have 1.5 per cent.

Analysts suggest the Newmont purchase has returned about \$50m in dividends in the 2½ years, an annual yield of 1.5 per cent. It is unlikely the financiers will net more than \$1.2bn from share sales so far.

Sir James, who says gold will have its day again because the world's banking system is in a mess, said GO would invest most of the proceeds of the offering in physical gold and hold more gold than cash. Analysts suggested if Sir James used half the proceeds to buy call options this could drive gold above \$400 an ounce.

Salomon Brothers, Leazard Freres and Smith Barney Harris Upham are managing the underwriting of the public offering. Some 7.65m Newmont shares will be sold in the US and 2m offered internationally.

Order growth and cost cuts help GEC advance 4.1%

By Alan Cane in London

STRONG growth in orders for turbines and trains coupled with careful cost control helped GEC, the UK industrial group, push pre-tax profits to \$863m (\$1.2bn) last year, 4.1 per cent up on 1992.

Lord Weinstock, GEC managing director, expressed optimism about the immediate and medium-term prospects for the UK economy. "Nothing much is going to happen. Even when the recession ends, it will never get back to where it was. Politicians are doing their best to damage confidence in investment."

Trading conditions both in the UK and overseas, where the company had 67 per cent of sales, were poor. Turnover fell to \$9.41bn from \$9.43bn, while operating profits slipped to \$702m, against \$695m, in the year to

March. Earnings per share rose nearly 6 per cent to 19.7p. An increased final dividend of 7.6p makes a total dividend of 10.3p, up 7.3 per cent.

The figures were broadly in line with analysts' expectations. The market judged the results to be sound but unexciting and the stock gained up to close at 59p. Lord Prior, GEC chairman, said the company was investing heavily in the Far East and south east Asia and had won big contracts for power generation plant and other equipment in China, Malaysia, Hong Kong and Indonesia.

The UK government was showing more willingness to back its exporters through export credits in the style to which the UK's principal competitors were accustomed. "This change is to be welcomed, although Britain's manu-

facturing base is now unfortunately too small to bring about a rapid reversal of our large adverse balance of payments. To do this, consistent and supportive policies are required over a period of years."

The company closed the year with net cash of £1.2bn, a \$410m increase. In addition, the group's share of net cash in joint ventures and main associated companies was \$985m, giving total cash of £2.18bn. Interest income was £148m, 42 per cent up despite lower rates. The year-end order book stood at £12.3bn, 16 per cent higher than 1992.

About 9,800 jobs were shed during the year, reducing staff costs 7 per cent. Redundancy and restructuring amounted to \$29m, \$28m more than before.

Lex, Page 18; Background, Page 31

Demand shaky at gilt auction

By Peter John in London

THE UK government yesterday carried out its biggest ever borrowing exercise, but the auction of \$3.25bn (\$7.5bn) of gilts was also one of its most disappointing.

The cover - the ratio of offers to accepted bids - at the Bank of England's auction was only 1.1, the worst level for five years and well down on the market's forecast of at least 1.5.

Long gilt futures at first fell sharply. However, the market's faith in UK economic trends, in particular low inflation, helped prices to more than recover the lost ground. This enabled the Bank of England to announce another \$200m of 9 per cent gilts due 2003 in the late afternoon.

The low level of bidding in-

tially raised concern that gilt yields might have to rise to enable the government to meet its \$50bn borrowing requirement for 1993-94, pushing up costs.

The government is, however, well advanced with its fund raising. In the first three months of the year it has borrowed £19.5bn.

Yesterday's auction of 8 per cent gilts due 2003 was targeted at overseas investors who prefer 10-year bonds. Overseas buyers, particularly from Japan, have been piling into UK gilts recently, attracted by low inflation, slow recovery and a strengthening pound. But sterling's recent rally against a number of European currencies has diminished the opportunity for currency gains.

Demand has also been checked by a rise in gilt prices, with

remaining appetite to some extent sated by three small taps last week, totalling \$350m, and some unofficial gilt selling.

Mr Andy Tweed, a gilts specialist with BZW, said: "The market has been pigging itself with sweets before the main meal."

Most economists were surprised by the low cover and the unusually large "tail" - the gap between the lowest accepted bid price and the average bid price.

Mr George Magnus, economist with SG Warburg, said: "It was very disappointing, especially after the flurry of overseas buying that the market has seen for the past couple of weeks. But the fundamental economic reasons why people have wanted to buy gilts over the past two weeks have not changed."

Bonds, Page 24; Lex, Page 18

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE LOAN DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUE OF £1,000,000,000

9% TREASURY LOAN 2008

SCHEDULE OF PAYMENTS:

On issue	£30.00 per £100 nominal of the Loan
On 9 August 1993	£35.00 per £100 nominal of the Loan
On 2 September 1993	£43.75 per £100 nominal of the Loan

£800,000,000 of the above Loan has been issued to the Bank of England on 30 June 1993 at a price of £108.75 per £100 nominal of the Loan; a further sum of £200,000,000 of the Loan has been reserved for the National Debt Commissioners.

The Loan will be repaid at par on 13 October 2008.

Interest will be payable half-yearly on 13 April and 13 October. The first interest payment will be made on 13 October 1993 at the rate of £1.6368 per £100 of the Loan.

Application has been made to the London Stock Exchange for the Loan to be admitted to the Official List; dealings in the Loan are expected to commence on Thursday, 1 July 1993.

Copies of the notice in lieu of prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 3EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyné Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange in the United Kingdom.

BANK OF ENGLAND

LONDON

30 June 1993

INTERNATIONAL COMPANIES AND FINANCE

Audi prepares for 'hard work' after DM198m loss

By Christopher Parkes
in Frankfurt

AUDI, the Volkswagen group's luxury car division, slumped into a DM198m (\$117.1m) pre-tax loss in the first six months of this year as turnover tumbled almost 30 per cent to DM6bn.

"With a lot of hard work" the company hoped to return to the black by the end of the year, but this would depend on the state of the market, Mr Franz-Josef Körtüm, chairman, told the annual meeting.

German sales are already down 20 per cent, and the motor traders' association said earlier this week that it expected new domestic registrations to fall 23 per cent for the full 12 months.

Mr Giovanni Agnelli, president of Fiat, warned yesterday that total industry car deliveries in Europe would fall 16 per cent.

Meanwhile, Audi's share of

the home market has shrunk from 6 per cent a year ago to 5.6 per cent.

Employing 3,000 fewer workers than in the first half of 1992, and after 32 days when production was stopped in its two main factories, the company reduced output in the period under review by almost 32 per cent to 174,000 vehicles.

Global sales in the meantime fell 26 per cent to 196,000 cars. The difference between output and deliveries was due to heavy inventory reductions, Mr Körtüm explained.

Commenting on the deficit after a DM315m profit in the comparable part of 1992, Mr Körtüm said demand was especially strong a year earlier because of the brand's new models.

The market was also still being driven by the post-unification boom which stopped abruptly last summer to be followed by a sharp dive into recession.

The VW group earlier this year reported a first-quarter loss of DM1.25bn following Germany's plunge into recession in the second half of last year. Before the summer break, the German car market was still being strongly driven by the effects of unification.

● The fruits of a joint production venture between Audi and Porsche, the sports car maker, will be shown at the international motor show in Frankfurt in September, the two companies have announced.

Production of the new vehicle, based on the Audi Avant S2, will start early next year in Porsche's Zuffenhausen factory and profits will be shared equally between the partners.

The project demonstrated a new form of co-operation between two independent vehicle makers, the companies said. Porsche is controlled by the family of Mr Ferdinand Piëch, the VW chairman.

France
Télécom
bucks trend
with surge
to FF3.3bnBy Alice Rawsthorn
in Paris

FRANCE-TELECOM, the state-controlled telecommunications group, bucked the gloomy trend in French industry by reporting a healthy increase in net profits, from FF2.2bn in 1991 to FF3.3bn (\$570m) last year.

The group, which claims to be the world's fourth largest telecommunications concern, ahead of the UK's British Telecom, saw consolidated sales rise 5.3 per cent from FF115.5bn in 1991 to FF122.6bn in 1992.

Operating profits increased by 5.6 per cent over the same period, to FF30.2bn last year.

One of the main reasons for the improvement in France-Télécom's performance was the progress of its debt reduction programme.

The group managed to reduce its net debt from FF120.6bn at the end of 1991 to FF111.6bn by the same stage in 1992. This reduction cut its financial costs from 9.7 per cent of turnover to 8.4 per cent.

France-Télécom said it planned to reduce its debt further in 1993. It hopes to meet its target of trimming financial costs to 7 per cent of turnover next year.

The increase in net profits also reflects France-Télécom's productivity strategy.

The group reduced its workforce from 156,100 to 155,300 last year. It also continued its policy of investing 4 per cent of turnover in research and development.

● Crédit National, the French corporate banking group, is considering taking minority stakes in some of the state-controlled companies due to be sold in the government's privatisation drive.

Mr Yves Lyon-Caen, chairman, yesterday said his group would be particularly interested in striking cross-shareholding agreements with suitable partners.

Shareholder interest was high at two Italian meetings yesterday

Ferfin insists on competition

IN LESS than a month, the Ferruzzi family's most famous family since the Emperor Theodorich, have hit the headlines in a dynastic decline almost as dramatic as that of their Roman predecessors.

"There isn't a family in the world which is rich enough to feed the needs of such an industrial heritage," said Mr Carlo Sama, the outgoing managing director of Ferruzzi Finanziaria (Ferfin), Italy's second-biggest private company.

Speaking at the shareholders' meeting in Ravenna, the rich and staid former capital of the western Roman empire, Mr Sama, husband of one of the three daughters of Mr Serafino Ferruzzi, the group's founder, admitted mistakes had been made in managing the group, which lost L1,667bn (\$1,080bn) last year.

However, indirectly shifting the blame for the troubles to his predecessor, Mr Raul Gardini, he insisted Ferfin's spending in the past two years since he took control had been "not for grandeur, but to remain competitive on the world scale".



Raul Gardini: indirectly blamed for Ferfin's troubles

The Ferruzzi family, which has been virtually excluded from the group's management, "will continue to give its support in a different way," he said.

However, in spite of the pomp and glitter associated with the Ferruzzi in their home town, yesterday's meeting was overshadowed by reports that Milan magistrates, who are monitoring the Ferfin rescue on behalf of minority shareholders, had discovered

new irregularities in the group's accounts.

The magistrates' latest move follows Monday's surprise announcement by Montedison, Ferfin's main industrial subsidiary, of additional losses of L435bn following a write-down at a little-known Cilapao subsidiary.

Mr Sama refused to comment on the reports of additional losses. "On this subject I can't help you," he told reporters, angrily. Perhaps showing a degree of respect for the Ferruzzi at what will probably be the last AGM in which they retain control of Ferfin, fellow shareholders surprisingly refrained from seeking additional information from the board.

Ferruzzi maintained that its officially-declared loss, adjusted in the light of the revised Montedison figure, remained accurate.

Observers suggested the division between the company and the magistrates stemmed from differences over L185bn of debts attributed to an obscure Luxembourg-based Ferfin subsidiary.

A company official said the figure had been included in Ferfin's consolidated balance

sheet, which showed borrowings of L31,332bn; as a credit now deemed to be irrecoverable.

He said the magistrates were possibly investigating whether the money, which Ferfin claims represents a credit to a foreign trading company, might have been used for other purposes, such as payments to Italian politicians.

Mr Sama revealed that Ferfin's sales had risen by 28 per cent to L5,699bn in the first quarter of 1993, while gross operating profits jumped 48 per cent to L718bn.

The sale earlier this year of the Erbamont pharmaceutical subsidiary would produce an extraordinary gain of about L80bn. Erbamont would also contribute L430m to group profits for the first months of this year before the sale.

The disposal had helped to reduce Ferfin's net indebtedness by L1,008bn to L14,115bn on March 31. The total effect on Ferfin's finances of the two-stage disposal would be a L1,880bn boost through a mixture of additional cash and reduced debts.

Haig Simonian

Ratners cuts
losses, chooses
new name

By Maggie Urry in London

RATNERS, the jewellery retailer, which last November lost Mr Gerald Ratner, its one-time chairman and chief executive, yesterday reported reduced losses and a two-year refinancing agreement with its banks.

Pre-tax losses were £40.1m (\$60.15m) down from £122.3m.

Ratners also announced it was changing the company name - but not the shops - to Signet Group. However, Mr James McAdam, chairman, said that trials of new formats would include experiments with different names.

The group blamed the weak economic environment for its failure to meet sales and profit targets in the year to January. In the US, better second-half trading had caught Ratners short of stock.

Ratners shares rose 3p to 35½p and are up from a low of 11p this year.

Observer, Page 17

Ex-head of Skanska
finance unit jailedBy Hugh Carnegie
in Stockholm

MR LEIF Ottosson, former head of the financial subsidiary of Skanska, Scandinavia's biggest construction and property company, was jailed yesterday for one year by a Stockholm court on charges arising from a SKr518 (\$66.4m) loss incurred by Skanska last year on foreign currency dealing.

Mr Ottosson, 37, was suspended as president of Skanska Kapitalförvaltning last August when the loss came to light. His speculative spree helped precipitate the

resignation of Mr Lars-Ove Hakansson as chairman and chief executive of Skanska.

Skanska accused Mr Ottosson of illegal currency speculation during the summer when internal security measures were not fully enforced due to the absence of other senior executives on holiday. It said he admitted distorting reports to the board and changing figures in Skanska's computer.

The police were called in and Mr Ottosson was eventually convicted on charges of breach of trust. The currency loss contributed to Skanska's SKr3.53bn loss last year.

AGF resumes talks
on Banesto unit

ASSURANCES Générales de France (AGF), the French insurer, has resumed negotiations with Banesto, the Spanish bank, over the proposed merger of Union y El Fenix (UFE), a subsidiary of Banesto, with AGF Seguros, a Spanish

arm of the French group, writes Alice Rawsthorn.

The two sides broke off negotiations in late April, reportedly after AGF objected to UFE's accounting treatment of its motor insurance subsidiary.

Agnelli maps out route for disposals

FIAT, Italy's largest private group, plans to raise up to L3,000bn (\$1.9bn) this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to L1,000bn.

The Turin-based automotive group has used asset sales to shore up profits over the past two years. The sale of Fiat's 25 per cent stake in Alcatel Italia, the telecoms group formed largely from its Telettra subsidiary, raised L700bn and helped keep 1992 profits at L507bn despite losses in calving the operations.

But the divestiture target revealed yesterday by Mr Giovanni Agnelli, Fiat chairman, after the company's annual meeting, represents a far more significant disposal of non-strategic assets.

Mr Agnelli declined to say whether discussions were under way for specific disposals. But he implied Toro, Fiat's

insurance arm, was first in line, and said the Binascente stores group was being courted. He also indicated that Fiat's indirect ownership of Corriere Della Sera, the Milan newspaper held through Gemina, was not a core investment.

Mr Agnelli is due to step down at the next annual meeting after 28 years as chairman. He offered shareholders a bleak view of 1993 results against the backdrop of declining demand in the core vehicle business. In 1992, the automotive sector accounted for almost 80 per cent of the group's L59,100bn turnover.

"The figures we have for April-May not only confirm the recessionary trend but show it worsening, at least in Italy," Mr Agnelli said. In Europe he forecast a drop of 16 per cent in car sales, 17 per cent in trucks and 12 per cent in tractors.

He confirmed analysts' estimates of a 1993 operating loss of L1,000bn with revenues "roughly the same as 1992".

Mr Agnelli said the group would invest L1,000bn this year which could not all be met from the group's



Giovanni Agnelli: due to step down at next year's meeting

resources. Already this year Fiat's net financial position had reached a deficit of nearly L7,000bn and could reach L10,000bn by the year end. This compares with L3,900bn at the end of 1992 but he insisted the higher borrowing would still be within sound debt-equity ratio limits. His comments were seen as an attempt to allay fears that the company was sitting in a pile of undisclosed debt.

Mr Agnelli hinted that with the coming on stream later this year of the new Melfi plant in southern Italy the recession might force Fiat to reassess the life of older plants in the north.

The group agreed to set aside L244bn to cover a reduced dividend - L100 on each ordinary and preference share and L130 on each savings share against L230 and L260 last year. It assigned L176bn to reserves.

Robert Graham

INCREASE IN CAPITAL

TYT Bank's Extraordinary General Assembly was held at TYT Finance Centre on June 17, 1993 and it was unanimously decided to increase the nominal capital to 500 billion TL.

Moreover, the first tranche, 87.5 Billion TL has been paid by the Shareholders on June 30, 1993 and accordingly the paid-up capital has been increased from 150 billion TL to 237.5 billion TL.

We would like to take this opportunity to thank all our shareholders for their contributions to this increase.



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SGS Société Générale de Surveillance Holding S.A.

For information only
(translation)

Put Option Issue 1993

Pursuant to a resolution of 9th June 1993, the Board of Directors of SGS Société Générale de Surveillance Holding S.A. has decided to propose to an Extraordinary General Meeting, to be convened for 10th November 1993, a reduction in the share capital of the Company by up to 5%, from CHF 187,441,000 to CHF 178,068,950 (assuming the exercise of all the options). The transaction will be effected by the purchase by the Company, and subsequent cancellation, of a maximum of 468,602 registered shares or 93,720 bearer shares.

To this end, the Board of Directors has decided to grant, to the holders of registered shares and bearer shares, put options giving the right to sell registered and bearer shares to the Company.

In accordance with the above-mentioned decision

9,372,050 put options
will be granted to shareholders.

Allocation of Options

The options are all to bearer and are allocated, free of charge, on the 1st July 1993, in the following manner:

- 1 option per SGS registered share of CHF 20 nominal value;
- 5 options per SGS bearer share of CHF 100 nominal value.

For holders of registered shares, option certificates will be sent by the Company for allocation, without cost, to the bank in Switzerland nominated by the registered shareholder as address for the payment of dividend or, if not available, to the address of the shareholder shown in the register of shares. For holders of bearer shares, the options will be represented by coupon No. 28 (each coupon No. 28 representing 5 options) detached from the share certificate. Shareholders who have deposited their shares with a bank will have their put options automatically allocated in their deposit.

Option Ratios

- a) 20 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one registered share of CHF 20 nominal value at a gross price of CHF 460.-, being a net amount of CHF 306.- after deduction of withholding tax calculated in the manner shown below;
- b) 100 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one bearer share of CHF 100 nominal value at a gross price of CHF 2,300.-, being a net amount of CHF 1,530.- after deduction of withholding tax calculated in the manner shown below.

The option rights may be exercised in respect of the sale of either registered shares or bearer shares.

Taxation

A shareholder who sells his/her shares to the Company is subject to tax and is responsible for ensuring that he/she is appropriately advised in respect of his/her taxation position.

Swiss Withholding tax: tax at the rate of 35% of the sale price less the nominal value of the shares, is charged, giving 35% of CHF 440.- (CHF 154.-) per registered share purchased and 35% of CHF 2,200.- (CHF 770.-) per bearer share purchased. The company will deduct an amount, equal to the withholding tax arising on the sale price, for the account of the Swiss Federal Tax Authorities. The amount charged by the Company on account of withholding tax is recoverable in accordance with the appropriate legal requirements (including existing double tax treaties with Switzerland) by the shareholder exercising the option.

Swiss Federal Stamp Duty: the purchase of own shares by the Company in connection with a reduction to capital is not subject to stamp duty arising on negotiation of securities.

Swiss Direct Federal Tax: if the shares form part of the personal assets of the shareholder exercising the option, the sale of such shares to the Company constitutes, pursuant to the principle of direct partial liquidation, a taxable income equal to the difference between the nominal value of the shares and their purchase price.

If the shares form part of the commercial assets of the shareholder a taxable gain will arise equal to the difference between the book value and the purchase price of the shares. The principle of direct partial liquidation does not apply in this case.

Exercise of Option

To exercise the options, they must be returned, together with the corresponding registered shares and/or bearer shares (the latter with coupon Nos. 29 and above attached), to an office in Switzerland of Union Bank of Switzerland. The amount of the sale price, after deduction of withholding tax, will be paid, without charge, to the vendors in accordance with normal practices of the Swiss Stock Exchanges, value three days after the exercise of the option and delivery of the shares sold.

Listing

A listing of the options has been applied for and obtained on the Geneva and Zurich Stock Exchanges which will take effect from 1st July 1993 and will be maintained during the period of the options.

Prospectus

A prospectus in respect of the listing, setting out, in French, the full terms of the options, may be obtained from Union Bank of Switzerland.

Quoted prices of SGS registered and bearer shares (adjusted prices)

		1989	1990	1991	1992	1993
registered share	CHF	294/232	353/ 198	360/ 240	226/ 245	271/335
bearer share	CHF	-	1718/1036	1656/1100	1650/1190	1810/1410
prices as quoted in Zurich on 8th June 1993			registered share: CHF 314		bearer share: CHF 1540	
prices as quoted in Zurich on 24th June 1993			registered share: CHF 321		bearer share: CHF 1723	

This offer is not being made in the United States of America and offer material with respect to the offer may not be distributed in or sent into the United States of America. The rights described herein may be exercised only outside the United States of America.

Renewal of the offer of exchange of bons de jouissance category A

Purchase offer of Bons de Jouissance category A

Following the exchange offer made on the 14th May 1992 to the holders of bons de jouissance category A, 131,448 bons de jouissance category A have been exchanged for bearer shares in the period to 28 May 1993, being 89.08% of the 147,560 bons de jouissance category A then in circulation.

In order to offer to the holders of the remaining 16,112 bons de jouissance category A the possibility of exchanging their securities for bearer shares carrying the put options, the exchange offer has been renewed. Furthermore, the Company is offering to purchase the outstanding bons de jouissance category A.

Exchange Offer

Offer period: 1st July to 10th August 1993 inclusive.

Exchange ratio:

6 bons de jouissance category A, without nominal value, with coupon Nos. 15 and above attached, for: 5 bearer shares of CHF 100 nominal value, with coupon Nos. 28 and above attached (including the 1993 put options)

In order to form an integral multiple of the above exchange numbers, the purchase or sale of up to 5 bons de jouissance category A must be effected on the Swiss Stock Exchanges.

Swiss Federal stamp duty of 3% on the bearer shares issued and reserved for the exchange, together with the withholding tax of 35%, is paid by the Company.

Bearer shares, freely exchanged against bons de jouissance category A, must be declared as revenue for direct federal taxation purposes.

Given that the Company accounts for the full amount of withholding tax, the amount taken in account as revenue for direct federal taxation, in respect of each bearer share exchanged, is calculated in the following manner:

$$\frac{\text{CHF } 100 \times 100}{65} = 153.85$$

or CHF 128.20 per bon de jouissance category A given in exchange

The withholding tax recoverable per bearer share exchanged is as follows:

$$35\% \text{ of CHF } 153.85 = \text{CHF } 53.85$$

or CHF 44.85 per bon de jouissance category A given in exchange

With regard to Swiss cantonal tax, the various cantonal requirements in relation to the taxation of free shares apply. For the cantons of Bâle-Campagne, Bâle-Ville, Geneva, Lucerne, Obwald, St-Gall, Thurgovie, Uri and Zurich, the nominal value of free shares is not taxable; the only taxable amount corresponds to the withholding tax, of CHF 53.85 per bearer share of CHF 100 nominal value, paid by the Company.

The remaining cantons follow those principles which apply in respect of direct federal taxation.

Shareholders and holders of bons de jouissance category A, resident overseas, are subject to the tax legislation of their country of residence; any recovery of withholding tax is regulated by existing double tax treaties with Switzerland.

The above is given for information purposes only and, in the case of any doubt, professional tax advice should be sought.

Dividend Right:

The bearer shares exchanged against bons de jouissance carry the right to dividend in respect of the 1993 accounting period.

The bearer shares have not been registered under the United States Securities Act of 1933. Therefore, they may not be offered or sold, either directly or indirectly, in the United States of America, its territories or possessions. Furthermore, they may not be offered or sold to any person (including companies) who is a citizen of or is resident in the United States of America, its territories or possessions.

Holders of Bons de Jouissance category A resident in other overseas territories should consult their professional advisers to determine any formality or restriction relating to the acceptance of this exchange offer.

Purchase Offer

Offer Period: 1st July to 10th August 1993 inclusive.

Purchase Price:

CHF 864.50 (net) per bon de jouissance category A, without nominal value, with coupon Nos. 15 and above (being CHF 1,330 less 35% withholding tax of CHF 465.50)

Payment: 13th August 1993

Taxation:

The principles described above in respect of the issue of the 1993 put options apply, mutatis mutandis, to the purchase of bons de jouissance.

General Information

Listing:

The withdrawal of the listing of bons de jouissance category A on the Geneva and Zurich Stock Exchanges will be requested following the expiry of the exchange offer. The bearer shares are listed on the Geneva and Zurich Stock Exchanges.

Notice:

In order to give notice of the exchange or sale of bons de jouissance category A, the securities, together with coupon Nos. 15 and above attached, should be placed with an office in Switzerland of

Union Bank of Switzerland

Costs:

The exchange and/or purchase of bons de jouissance category A and the delivery of bearer shares will be carried out without cost to the holders of bons de jouissance.

Geneva, 30th June 1993

SGS Société Générale de Surveillance Holding S.A.
For the Board of Directors
Chairman: Elisabeth Salina Amorici

The listing prospectus published in the French language is the only authentic text for Stock Exchange listing purposes. A copy may be obtained from the below mentioned bank.
This announcement does not purport to be a prospectus within the meaning of Article 662a and/or 1156 of the Swiss Code of Obligations

The exchange or purchase of bons de jouissance or the exercise of the options may be carried out through an office in Switzerland of

Union Bank of Switzerland

	Value No.	ISIN
Registered Share	249.745	CH0002497458
Bearer Share	249.746	CH0002497468
1993 Put Option	089.678	CH0000896784
Bon de jouissance	249.733	CH0002497334

INTERNATIONAL COMPANIES AND FINANCE

Westinghouse elects Jordan chief

By Martin Dickson
in New York

WESTINGHOUSE Electric, the troubled US conglomerate, yesterday named Mr Michael Jordan, a former head of international operations at drink and food group PepsiCo, as its new chairman and chief executive.

Westinghouse has been searching for a chief executive since January when Mr Paul Lago stepped down under pressure from the board and shareholders, dissatisfied at his progress in turning the company around.

Yesterday's announcement

followed boardroom divisions as to whether in-bred Westinghouse should appoint to the post Mr Howard Clark, a 36-year company veteran and acting chief executive, or seek a leader from outside.

Mr Jordan indicated yesterday that he planned substantial changes, saying he saw "the new Westinghouse as smaller, but strategically sound, less affected by business cycles and more competitive".

Westinghouse, with interests ranging from nuclear power plant to radio stations, has suffered particularly from severe

losses on poor property investment by its financial services unit in the 1980s.

He said it had made significant progress this year to resolve the financial services problems and added that he would be examining all the group's core businesses.

Mr Jordan is joining Westinghouse from the New York private investment firm of Clayton, Dubilier & Rice, where he has been a partner since last year.

Before that, he had worked since 1974 for PepsiCo, rising to be head of its international foods and beverages division.

Between 1964 and 1974 he worked for McKinsey & Co, the management consultants.

His background in finance and consumer products contrasts with that of most Westinghouse chairmen, who have been closely involved in engineering, but Mr Jordan holds degrees in chemical engineering from Yale and Princeton universities and was certified as a nuclear engineer early in his career.

Mr Clark will remain president of Westinghouse while the company's interim chairman, Mr Richard Morrow, will stay on the board.

Group acts on global multimedia standards

By Louise Kehoe
in San Francisco

LEADING European, US, Australian and Canadian high-technology companies are joining forces to accelerate the acceptance of global multimedia communications by agreeing on technical standards.

Founding companies of the group are British Telecom, France Telecom, Deutsche Bundespost Telekom, International Business Machines, Intel, Northern Telecom, and Telstra.

The group, called the Multimedia Communications Community of Interest, said it would promote the use of services that would allow people in different locations to view documents, images, graphics and full-motion video on a personal computer, while simultaneously discussing and updating what they see on their PC screens.

It said the success of such international services would depend on establishing standards so that users could collaborate regardless of the computer equipment, software or telecommunications company being used.

The group also announced plans to begin a series of field trials in the first quarter of 1994 to test multimedia communications services on a co-ordinated, global basis. The group has invited other companies to join.

Pepsi in China deal

PEPSI-COLA, the US soft drinks business, and Asia Beverage Company, based in China's Guangdong province, are forming a joint venture to produce and market Asia Beverage's soft drinks throughout China, writes Nikki Tait.

Pepsi will hold the majority share - 60 per cent - in the venture company.

New president named in American Express shuffle

By Patrick Harverson
in New York

AMERICAN Express, the US travel and financial services group, has reshuffled its senior management appointing Mr Jeffrey Stiefler president of the company.

Mr Stiefler, who was chief executive of American Express's financial services subsidiary IDS, takes over as president from chief executive Mr Harvey Golub, who assumes the title of chairman from Mr Richard Furlaud.

American Express said Mr Furlaud, an outside director of the company since 1972, has been elected chairman of the

executive committee of the board of directors.

The changes represent a consolidation of the management installed in February following the departure of Mr James Robinson, who had run American Express for 15 years. After a protracted battle, Mr Robinson was forced out because of the poor performance of the company's various divisions, and of its share price.

The appointment of a new president, and the move of Mr Furlaud to chairman of the executive committee, are designed to spread some of the management load.

Previously, American Express was being run solely

by Mr Golub, with Mr Furlaud's support.

Mr Stiefler's promotion is seen as a reward for his work at IDS, which during the group's recent troubles with its loss-making securities brokerage operations and struggling credit card business, remained a reliable source of profits. In 1992, IDS contributed \$243m to the group's overall earnings of \$456m.

This is the second time in a few years that IDS has proved a stepping stone for management within American Express. In 1991, Mr Golub, then head of IDS, was promoted to president of the parent group.

Heinz to buy Clorox unit

By Nikki Tait in New York

CLOROX, the California-based company best known as the largest bleach producer in the US, is selling its frozen foods business to H. J. Heinz, the US food company.

No price was disclosed, but the Clorox operations, which mainly supply the food service industry, will be incorporated into Heinz's Ore-Ida division.

Clorox, which announced last April it was negotiating over the sale of the food interests, added that it expected to

show a net gain on the sale.

Clorox predicted that fourth-quarter earnings would be slightly ahead of analysts' forecasts. It told analysts that fourth-quarter and full-year earnings per share should be ahead of last year's figures by 25 per cent and 15 per cent respectively.

In the fourth quarter of 1991-92, Clorox earned 70 cents a share, before a 48-cent-a-share charge for asset write-downs. The full-year result for 1991-92 was \$2.66, before one-off charges of 83 cents.

Weak prices hit PDVSA

By Joe Mann in Caracas

PETROLEOS de Venezuela (PDVSA), Venezuela's national oil company, has been hurt by weak international oil prices and high income taxes.

Net earnings for 1992 fell 25 per cent, to US\$331m from 1991's \$441m.

But the company was able to make significant progress in its domestic and international investment programmes, make large cuts in operating expenses and trim borrowing requirements.

One of the world's largest oil companies, PDVSA said consolidated gross revenues in 1992 were \$21.4bn, down 4 per cent from 1991's \$22.3bn.

PDVSA's average export price per barrel - covering crude oil and refined products dispatched from Venezuelan ports - was \$14.91 last year, 6.3 per cent below the 1991 average.

The company closed 1992 with proven crude oil reserves of 63.3bn barrels, the largest held by any country outside the Middle East.

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously sold, this announcement appears as a matter of record only.

SAMSUNG

ELECTRONICS

Samsung Electronics Co., Ltd.

(Incorporated in the Republic of Korea with limited liability)

5,084,744

Rule 144A Global Depositary Shares

Representing 2,542,372 Shares of Non-Voting Stock

Global Coordinator

Goldman, Sachs & Co.

3,305,084 Global Depositary Shares

This portion of the offering has been sold outside the United States by the undersigned.

Europe and the Rest of the World

Goldman Sachs International Limited

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Credit Suisse First Boston Limited

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Tong Yang Securities Co., Ltd.

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Daewoo Securities (Europe) Limited

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Korea Development Securities Co., Ltd.

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Swiss Bank Corporation

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Asia

Goldman Sachs (Asia) Limited

Ssangyong Investment & Securities Co., Ltd.

Carr Indosuez Asia Limited

Daiwa Europe Limited

Korea Development Securities Co., Ltd.

Merrill Lynch International Limited

J. Henry Schroder Wagg & Co. Limited

Barclays de Zoete Wedd Limited

Credit Suisse First Boston Limited

The Development Bank of Singapore Ltd

Lehman Brothers International

Peregrine Capital Limited

Tong Yang Securities Co., Ltd. Yamaichi International (Europe) Limited

1,779,660 Global Depositary Shares

This portion of the offering has been sold in the United States by the undersigned.

Goldman, Sachs & Co.

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Daewoo Securities (America) Inc.

Ssangyong Securities America Inc.

Tong Yang Securities (America), Inc.

June, 1993

German groups cut PVC capacity

By Christopher Parkes

HOECHST and Wacker, two leading German chemicals groups, are to close two bulk PVC factories with a combined capacity of 90,000 tonnes a year.

The moves will follow the previously announced merger of the companies' PVC interests into a single company.

Vinnolit Kunststoff, which takes effect today.

Around 100 workers will be affected by the closures, which will leave the new company with four German plants with a total of 680,000 tonnes annual capacity and 1,200 employees.

The merger was announced last November as part of Hoechst's cost-cutting programme, under which all

the company's PVC interests apart from those of Wacker, which is 50 per cent owned by Hoechst.

Mr Wolfgang Hilger, chairman of the Frankfurt-based group, said then that the new company would command 10 per cent of the western European market, and offer savings of DM50m (\$29.5m) a year.

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This announcement appears as a matter of record only

MONTHLY AVERAGES OF STOCK INDICES

	June	May	April	March
FT-95 Actuaries Indices	2874.7	2833.1	2897.5	2897.1
100 Index	3206.9	3147.1	3105.8	3110.1
Mid 250	1434.0	1410.7	1409.4	1432.9
350 Share	1445.43	1431.20	1432.70	1465.75
Industrial Group	1539.22	1522.69	1522.82	1552.97
500 Share	1046.34	1002.84	990.45	982.79
Financial Group	1419.54	1397.10	1393.70	1415.40
All Share	1183.38	1152.61	1132.22	1150.60
Eurotrack 100	1287.69	1214.80	1216.21	1217.68
FT Indices				
Government Securities	95.90	94.84	96.27	97.19
Fixed Interest	112.70	111.13	112.21	112.67
Ordinary	2249.2	2207.0	2213.2	2252.8
Gold Mines	188.1	171.4	126.4	98.7
SEAO Bargains(4.45pm)	28.484	28.856	30.702	38.564
FT-SE 100	2907.8 (22nd)	2829.9 (4th)		
FT-SE Mid 250	3235.7 (30th)	3186.3 (1st)		
FT-SE 350	1447.8 (22nd)	1413.5 (4th)		
FT-A All Share	1493.01 (22nd)	1400.30 (4th)		
Ordinary	2277.0 (22nd)	2211.7 (1st)		

Emirates Bank International Limited

having recently been granted a full UK banking licence is pleased to announce the opening of its London Branch on 1st July 1993.

Emirates Bank International Limited London will assume the business undertakings in the UK of Middle East Bank Ltd (MEB) a subsidiary of the Emirates Bank Group. MEB will henceforth operate under "former authorised" banking status in London.

EMIRATES BANK INTERNATIONAL LIMITED
Shackleton House, 4 Battlebridge Lane, London
SE1 2HP

Tel No: 071-357 6262

Fax: 071-357 6105

Telex: 8956306/8951481 EBILO G

ICES

13% Bonds Due 1996

541	30101	31415	32298	31510	35007	37193	3
574	30103	31314	32295	31521	35009	37195	3

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The following Bonds each bearing the following serial numbers previously called for redemption have not as yet been presented for payment:

**For EUROPEAN INVESTMENT BANK
CITIBANK, N.A.
as Fiscal Agent.**

COMPANY NEWS: UK

Struggling European market hit by falling prices

ICI seeks restructure of polyurethane industry

By Paul Abrahams

IMPERIAL Chemical Industries, the chemicals group, is calling for a restructuring of Europe's struggling polyurethane industry.

The company, which views the sector as one of its core businesses, said it was prepared to participate in any restructuring. The market is struggling from a combination of over-capacity, falling demand and tumbling prices.

Mr Richard Stillwell, managing director of ICI polyurethanes, said: "If prices continue to fall, there will have to be rationalisation. If we were approached by someone we might well be interested."

The European market will have fallen between 5 per cent and 6 per cent this year, according to ICI. That compares with growth of up to 7 per cent during the late 1980s.

ICI said the polyurethane sector's plight has been aggravated by large slugs of new capacity coming on stream. The European industry has a capacity of about 12m tonnes a year, of which about 140,000 tonnes is excess.

Mr Stillwell said: "We would like to build on our areas of strengths. If anyone offered us a component part of the MDI market we might be interested."

ICI's areas of strength include supplying the automotive, consumer appliance and footwear industries.

The industry must take some imaginative steps, said Mr Stillwell. ICI might consider doing an asset swap, even though its polyurethanes operations were not overburdened with non-core assets.

Bayer, the German group, has added a new production

line at a plant in Spain, whose 65,000 tonnes capacity was only partly offset by the closure of a small production line.

Meanwhile, BASF of Germany has acquired an east German plant, adding about 35,000 tonnes a year to capacity, which it may have also increased thanks to bottlenecks.

Dow of the US has also bought a new plant with a 65,000 tonnes a year capacity. Prices have fallen - depending on the particular grade - by about 33 per cent over the last 18 months from DM2.80 a kilo to about DM2.60.

"I believe prices have reached rock-bottom," said Mr Stillwell. "Although we are making money in Europe, break-even point has been passed for most other producers if you include fixed costs. At these prices I do not think the industry can cover reinvestment or spending on the environment."

Reed Elsevier buys French publisher

By Raymond Snoddy

REED ELSEVIER, the international publishing group, has acquired more than 96 per cent of Editions Techniques, the largest general publisher in France, in a deal worth £77m.

In May the company announced an agreement under which it would have at least a controlling interest.

Editions Techniques publishes Juris Classeurs and La Semaine Juridique and the acquisition is part of Reed Elsevier's strategy to extend its professional publishing interests in continental Europe.

Apart from owning a leading medical publication, Encyclopédie Médico Chirurgical, Editions Techniques holds a controlling interest in Juris-Data, the legal database company, and a 40 per cent stake in Lites, the legal book publishing company.

Mr Herman Bruggink, director of legal and medical publishing worldwide for Reed Elsevier, will become chairman of Editions Techniques from July 2.

Mr Bruggink said yesterday: "We are creating a powerful European base for our legal publishing businesses by acquiring Editions Techniques."

Together with Butterworths, Reed Elsevier's UK legal publisher, further European expansion is planned.

The merged Anglo-Dutch group, owned by Reed International and Elsevier, is also pushing ahead with its planned £425m (£233m) purchase of Official Airline Guides from Price Waterhouse, the joint administrator of Maxwell Communication Corporation.

AAH extends over-the-counter operations

AAH Holdings, the acquisitive pharmaceuticals distribution group, has extended its over-the-counter operations with the acquisition of M&S Toilettries and the connected Beauty Concessions - collectively MSBC - for an initial £15.6m in shares, cash and loan notes.

MSBC is a wholesale and retail distributor of toiletries, cosmetics and other pharmacy OTC products.

Edinburgh-based, it has "a strong position in the Scottish market and has been building market share in the north of England", said AAH.

In the year to June 30 1992, MSBC's sales (adjusted for inter-company transactions) were £23m and are forecast to be not less than £29m in the current year.

Pre-tax profits in 1992 were £900,000 and, on a pro forma basis, are warranted to be at least £2.1m for the 12 months to completion.

Of the initial £15.6m, the 2.39m shares to be issued to the vendors will be retained for at least six months.

Further consideration of no more than £1m in loan notes will depend on the valuation of assets at completion.

Net assets, at June 30 1992, were not less than £4m.

Results worse than expected after exceptional costs totalling £31m

Hartstone falls £9.9m into loss

By Peggy Hollinger

HARTSTONE, the hosiery and leather goods group which has issued three profits warnings in recent months, yesterday stunned the City with £31m above the line costs, forcing it into pre-tax losses of £9.9m for the year to March 31.

The results, which compared with a profit of £22m last year, were depressed by £11.8m in rationalisation charges and write-downs, and a further £18.7m in exceptional restructuring costs. Before exceptional costs there was a pre-tax profit of £8.83m.

The shares fell 3p to 36p.

Analysts said yesterday it was too early to determine the long-term future of Hartstone, built up by former Albert Fisher chief Mr Stephen Barker through a rapid series of acquisitions. The group, which had breached banking covenants, was in refinancing talks with bankers. Gearing stood at 120 per cent and was expected to rise further.

"The figures were a shambles," said one London analyst. "People were expecting a pre-tax profit of almost £8m. To come in at a loss of that figure... leaves one wondering where it all will stop."

Most analysts said any attempts at forecasts for the current year would be futile until talks with the banks became clearer. Meanwhile, the accounts would be prepared on a going concern basis, which depended on the success of the discussions.

Mr Shaun Dowling, the non-executive director who replaced Mr Barker as executive chairman in May, was harsh on past management. They had purchased businesses "unwisely", he said, while some of the smaller acquisitions had lost "significant amounts of money", leaving large inter-company debts.

The board became aware of difficulties in November, Mr Dowling said, when the group moved from quarterly to monthly accounts. However, trading continued to worsen, and the group issued a profits warning in March. Two months and two further warnings later, it was forecasting profits of not less than £8.7m.

However, it had not become clear until the board meeting on Tuesday night that the group would have to take £18.7m in exceptional charges for further restructuring. Some £8m of this would be paid in fees to renegotiate financial facilities. Closure costs were estimated at £10.8m, with £1.8m in goodwill being written off.

On the trading front, Mr Dowling was cautious, but confident. Hartstone, he said, "has profitable businesses capable of further development". He announced the appointment of a new finance director to improve reporting procedures, Mr Stephen Oakley, formerly of MacCarthy, the pharmacies group.

Group trading profits were 10 per cent down at £21.8m on sales ahead 55 per cent to



Shaun Dowling (left) and Stephen Oakley: board became aware of problems in November and three profit warnings were issued

£370.3m. A 67 per cent increase in hosiery profits to £9.47m had not been enough to offset the 34 per cent decline in leather goods to £12.6m, with £1.8m gain on currency trans-

actions following the devaluation of sterling.

There will not be a final dividend, leaving the 2.8p interim as payment for the year (total 4.87p). Losses per share were 12.4p (earnings 21.1p).

Eastern Electricity at £183m and lifts dividend by 15%

By David Lascelles, Resources Editor

EASTERN Electricity yesterday produced the largest profits increase in the regional electricity results season so far with a 23 per cent rise at the pre-tax level.

It declined, however, to join the dividend race which has seen RBC pay-outs soar. The dividend increase of 15 per cent, bringing the total to 19.2p, was less than the 15.9 per cent set by Seaboard on Tuesday, but still at the upper end of the range.

Mr James Smith, chairman and chief executive, said: "Our operating strength has been reflected in benefits to both shareholders and customers."

"The value of our shareholders' investment has increased, while customers are benefiting through competitive energy prices and continuing improvements in services."

Pre-tax profits at the Ipswich-based company amounted to £183.4m in the year to March

31, up from £143.1m. Turnover was £1.92bn (£1.88bn). Earnings per share jumped 30 per cent, from 33.6p to 50.1p.

The gain came partly as a result of an attack on costs, 1,100 jobs went during the year, and 400 more are due to go this year, contributing to cost savings of £20m a year.

There was also a sharp turnaround in the electricity supply business: last year's operating loss of £9.7m was transformed into a profit of £31.4m thanks to a £17m reduction in earlier under-recovery of costs because of regulatory controls.

The electricity distribution business saw operating profit fall from £175.9m in 1992 - when it was boosted by £15m of over-recovery - to £153.4m.

There was a net loss of £1m on retailing activities, and the loss on contracting widened from £2.3m to £4.9m because of a poor market.

A strong cash flow enabled gearing to be reduced from 31 per cent to 17 per cent.

Mr Smith said the dividend

increase was "warranted by the profit stream" and was "a statement of confidence in the future". Dividend cover was raised from 2.3 to 2.6 times.

Customers benefited from frozen prices and a 25 energy efficiency rebate in the year.

COMMENT

Eastern used its strong results to improve its low dividend cover rather than set a new pay-out record, which was prudent, if disappointing for shareholders. Analysts will be looking for signs of fresh strategic direction as Mr Smith hands over the chief executive reins to his chosen successor John Devaney, who inherits a heavy agenda of cost-cutting and structural work in loss-making areas like retailing and contracting. Although the market pushed the shares up a few pence on the result, they settled back to close the day unchanged at 47 1/2p on a prospective yield of about 5.6 per cent, close to the sector average.

Abdullah brothers resign Starmin executive positions

By Angus Foster

THE ABDULLAH brothers, who built up the Everest aggregates company through acquisitions in the 1980s, yesterday resigned their executive positions at Starmin, the quarry products company where they bought control in 1989.

Starmin also announced it had delayed publishing its accounts for last year because the board was reviewing its accounting policies. As a result, the previously recommended final dividend of 0.2p would not now be paid.

The company's shares fell 2p to 2 1/2p. Mr Osman Abdullah resigned as chief executive and has been replaced, on an acting basis, by Mr Owen Rout, former chairman. Lord Parkinson, the former Tory cabinet minister who joined the company in April last year, has been appointed chairman immediately. Mr Raschid Abdullah will remain on the board as a non-executive director.

Mr Rout refused to comment on the details of the review before it was completed. But he said it covered technical matters. "There is no indi-

cation there is anything of a fraudulent, mal-practise nature involved," he said.

The review is understood to have been prompted by concern among some directors and Samuel Montagu, the company's financial advisers, about Starmin's acquisition accounting policy.

In a statement yesterday, the company said its review would cover "the disclosure and accounting treatment of various acquisitions and disposals" made in 1991 and 1992. Previously announced results for these years, which showed a £1.9m pre-tax profit in 1991 and a loss of £3.1m last year, may have to be restated.

The Abdullahs bought into Starmin, then called SI Group, in 1989 following their departure from Everest, now called Everest Bardon. The brothers launched a string of acquisitions, including eight in 1991, largely financed by three rights issues within two years.

But despite an initial rally, Starmin's shares performed poorly and were overshadowed by concern about the company's acquisition strategy and mounting worries about recession in the construction industry.

Devro shares give 13.5% premium on first day

By James Buxton

SHARES in Devro International, which makes sausage casings from the protein collagen, closed at a 13.5 per cent premium on its first day of trading on the Stock Exchange yesterday. The shares, priced at 170p, went to an early high of 195p before closing at 189p.

The public offer for shares in the company, a former subsidiary of Johnson and Johnson

which had been bought out by its management, was subscribed 4.6 times and involved 28m shares. A further 53m shares were placed firm with institutions.

Some 15m shares were traded yesterday as small investors sold their allocations which had mostly been sharply scaled down, and institutions acquired more shares.

Devro said it was pleased with the premium the shares achieved.

Clyde Blowers rights to fund acquisition

Clyde Blowers, the specialist engineer, is calling for £3.6m partly to finance the acquisition of Roller Products Engineering, based near Brussels, Belgium, from Stein Industrie (France), a wholly owned subsidiary of GEC Alsthom.

The total consideration, including payment of debt to its parent company, is about £8m cash.

BPE designs, distributes and services boiler cleaning equipment. It made pre-tax profits of £F15.5m (£208,000) on turnover of £F12.25m in the 12 months to March 31 1993.

At that date it had net assets of £F137.3m.

The rights issue of 800,000 new ordinary shares is on the basis of 4-for-5 at 500p each. Yesterday the shares closed 37p down at 635p.

The issue is fully underwritten by Allied Provincial Securities.

In addition to funding the acquisition, proceeds from the rights will be used to reduce short-term borrowings and to provide future working capital.

Clyde Blowers also forecast profits of not less than £182,000 pre-tax for the year to August 31 and a final dividend of 8p.

Losses halved at Seaford

HALVED pre-tax losses of £11.1m, compared with £22.4m, were announced by Seaford, the Dublin-based transport, warehousing and property group, for 1992.

The loss was mainly attributable to a write-down in property values of £6.6m and £1.5m of realised losses on the sale of properties. Exceptional losses last year amounted to £19.5m.

Mr Brian Chilver, chairman, said the property division had been slimmed down and over the past three months the group had been involved in negotiations for a restructuring.

Turnover improved to £45.2m (£22.8m). Interest charges fell to £4.95m (£5.38m) as property disposals allowed the group to repay £17.8m of borrowings. Losses per share were cut to 15.4p (£15.9p).

Ferromet

In 1992 Ferromet Group reduced its losses before tax from £12.9m to £1.14m. And extraordinary credits of £2.98m turned that into an overall profit of £7.24m.

Turnover came to £1.88m. The loss arises from adminis-

tration expenses, a substantial part of which related to restructuring. Losses per share were 0.56p (£2.7p).

Cassidy Brothers

Cassidy Brothers, the Blackpool-based toy maker, saw pre-tax profits drop from £998,521 to £467,217 over the 12 months to April 30.

Mr Thomas Cassidy, chairman of this USM-traded group, said the decline - recorded on turnover ahead to £8.26m - was attributable to many of the group's customers de-stocking in the pre-Christmas season in the face of recession.

Earnings emerged at 6.11p (£0.97p) but the recommended final dividend is held at 1.65p for a maintained total of 2.4p.

Sheafbank Property

Sheafbank Property Trust is to defer payment of the half yearly dividends, due today, on both its 6 per cent cumulative convertible preference shares and its 5.25 per cent cumulative preference shares.

Anglo St James

Anglo St James, the commercial property developer, cut pre-tax losses to £943,000 in 1992, against £2.72m for the previous 13 months.

Mr Jeffrey Green, chairman, said that virtually all group

NEWS DIGEST

properties were now income producing. Rental income totalled £934,000 (£792,000 for 18 months). Losses were struck after exceptional charges of £504,000 (£1.63m). Losses per share were 5.8p (£3.1p).

Dwyer

There was little change in half year results at Dwyer, the Irish-based commercial property investor, as losses on sales masked a substantial improvement in underlying performance.

In the six months to March 31 net rents fell to £2.33m (£2.58m) and that was exacerbated by losses on disposals of £597,000. However, there were substantial reductions in administration costs and interest payable to leave the pre-tax loss at £729,000 (£781,000).

Losses per share came to 2.94p (£2.85p).

Havelock Europa

Havelock Europa, the shopping centre group, reported that the High Court had confirmed the special resolution of the company passed on June 2 to reduce the share premium account by £2.98m.

Havelock said the reduction would enable it to resume dividend payments when appropriate to do so.

● The High Court also approved a reduction of Cus-

sons Property's share premium account by £2.18m.

Mount Charlotte

Mount Charlotte Investments, the hotels group, raised net profit from £1.5m to £2.1m in the year to December 27, after a tax credit of £1.1m. Turnover dipped from £226.1m to £217.3m.

Mount Charlotte is 70 per cent owned by Brierley Investments.

GE Cap/TIP Europe

General Electric Capital Corporation said that its recommended offer for TIP Europe, the transportation equipment rental and leasing company, had been accepted in respect of 159m shares, representing 94.51 per cent of TIP Europe's share capital.

The offer remains open until 3pm on July 14.

RIT Capital

Newmont Mining has filed a registration statement with the US Securities and Exchange Commission in connection with the proposed sale of shares in Newmont by General Oriental Investments and RIT Capital Partners.

RIT Capital proposes to sell 1.18m shares in Newmont and retain the balance of its holding of 1m shares as part of its investment portfolio.

Thorn EMI has now changed its performance related scheme to include a larger element of shares, rather than cash, and to make it more closely tied to long term continued improvement, the company said.

NW Water head gets 35% rise

North West Water, the privatised UK utility, awarded Mr Bob Thian, chief executive, a 35 per cent increase in pay and bonuses last year. Pre-tax profits increased 7 per cent during the period.

Mr Thian received total remuneration, including performance pay and pensions contributions, of £224,000. Mr Dennis Grove, the outgoing chairman, saw his total package increase 44 per cent to £267,000.

Mr Steve McAdam, who resigned from his position as finance director, received compensation for loss of office of £90,000. North West also bought a property from him for £240,000. The company said the price had been certified by an independent chartered surveyor.

Price Waterhouse, the accountancy firm, received non-audit fees from North West of £9.3m during the year. The fees covered due diligence work on acquisitions and general consultancy work.

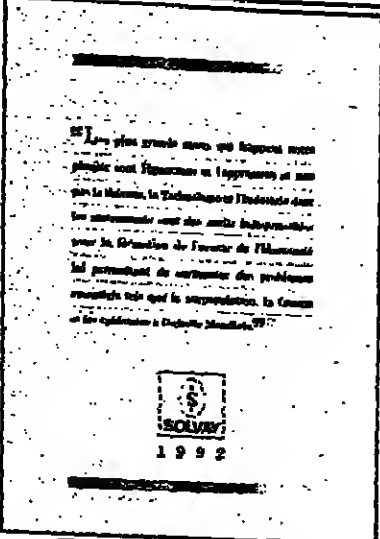
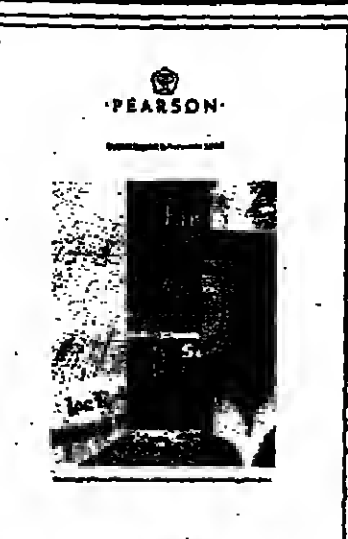
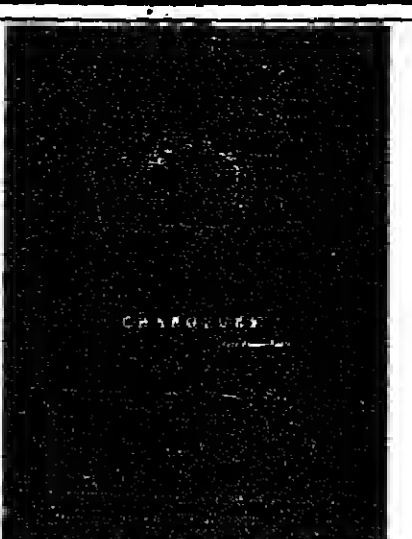
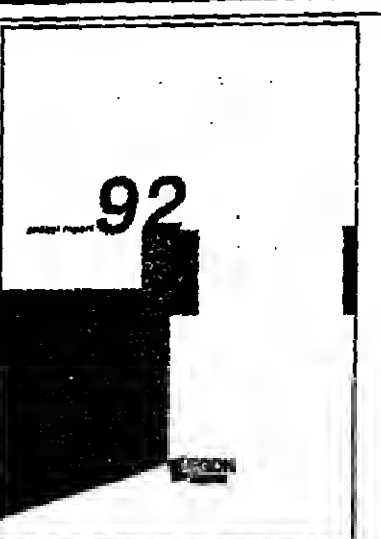

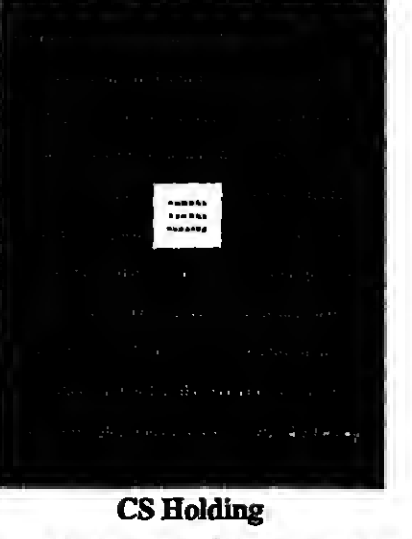


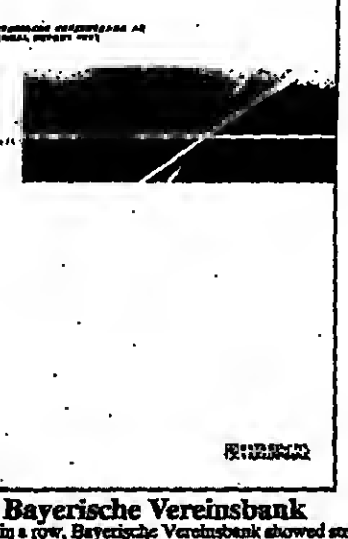

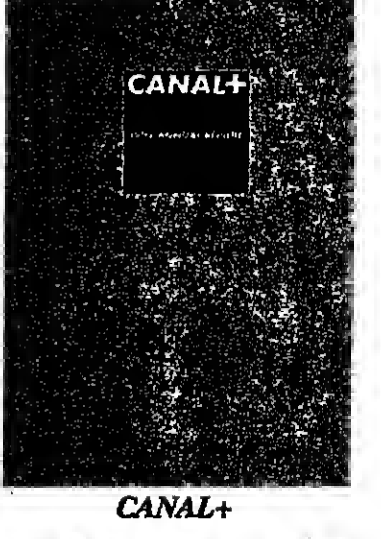


DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Covers - pending dividend	Total for year	Total last year
Cassidy Bros £	1.85	Aug 27	1.85	2.4	2.4
Eastern Electric	12.7	Oct 4	11.95	12.2	16.7
GEC	7.62	Oct 1	7.05	10.3	9.5
Hartstone	nil	-	3	2.8	4.975
Rathfrins	nil	-	nil	nil	2.4
Silverstream	nil	-	nil	1	2
TR High Income	1.5	July 30	1.4	0.5	8
Withshaw	0.35	Oct 1	0.3	0.5	0.4

Dividends shown pence per share net except where otherwise stated. SUSM stock, British pence. *Second interim; makes 2.8p to date.

DEN NORSKE STATTS OJSELSKAP A.S.
(OSLSTOK)
FY 1992, 1993
Financing Note dated 1993
In accordance with the terms and conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 20th June 1993 to 30th September 1993 has been fixed at 7.125% per annum. The interest payable on the relevant Interest Payment Date, 20th September 1993 will be FF1,200.00 per FF100,000 Note and FF165.00 per FF10,000 Note.
Banco: Netherlands of Paris p.l.c.
Reference Agent

Handwritten signature or stamp at the bottom of the page.

Financial Times Annual Report Service

 <p>The Solvay Group A passion for progress</p> <p>The Solvay Group is a leading chemical and pharmaceutical company with sales of USD 8 billion worldwide. The strategy followed by the company is to develop specialty products, with high value-added, high margin and high research content in each of its five sectors - Alkali, Petrochemicals, Plastics, Processing and Health - while also opening new geographical markets for its products, mainly in the USA, Asia and Central Europe.</p>	 <p>Pearson</p> <p>Pearson publishes newspapers, magazines and books, owns and runs day-time family entertainment attractions, provides oil services around the world, has substantial investment banking interests and is the largest manufacturer and distributor of fine bone china. Pearson owns most of its businesses outright, but also makes investments in complementary businesses. Pearson concentrates on business sectors where its complete on quality is a competitive advantage, where it can market its products internationally, and where it can attract and motivate talented people.</p> <p>FINANCIAL TIMES • ROYAL DOULTON • ADDISON-WESLEY • LAZARD PERRON • CAMCO • LONGMAN • WESTMINSTER PAPER • TUBACON GROUP</p>	 <p>Chargeurs</p> <p>Chargeurs is a diversified industrial group which operates in textiles (Provost, Hart, Olegi...) and entertainment (BSkye, Allied Filmakers, Quid, Pash). It also operates in automobile transportation (Walon), leisure cruises (Papier) and protective surfacing (Novacel). The group is one of France's leading international companies, with 10,500 employees worldwide.</p> <p>Financial Highlights 1992 (FF millions)</p> <table border="1"> <tr> <td>Net sales</td> <td>10,080</td> </tr> <tr> <td>Net income</td> <td>724</td> </tr> <tr> <td>Capital expenditure</td> <td>750</td> </tr> <tr> <td>Net equity per outstanding share (FF)</td> <td>1,119</td> </tr> </table>	Net sales	10,080	Net income	724	Capital expenditure	750	Net equity per outstanding share (FF)	1,119	 <p>AEGON</p> <p>AEGON is a leading international insurance group, offering primarily a full range of life insurance and associated financial services. AEGON is also active in accident & health and general insurance. AEGON's most important markets are The Netherlands and America. The European companies are based in Belgium, Spain, Portugal, Hungary, and the United Kingdom. 1992 revenues increased by 12.3% to NLG 15,321 million. Operating income after taxes grew 10.1% to NLG 734.7 million. Taking into account the stock dividend, operating income per share rose by 2.1% from NLG 7.74 to NLG 7.90. The AEGON share was split 2:1 in 1992.</p>	
Net sales	10,080											
Net income	724											
Capital expenditure	750											
Net equity per outstanding share (FF)	1,119											
 <p>BSN</p> <p>BSN is the largest diversified food group in France, Italy, Spain and Belgium. It ranks third in Europe as a whole and ninth worldwide. It is the world's largest producer of dairy products, and second largest producer of mineral water and biscuits. In Europe it ranks first in dairy products, mineral water, biscuits, sauces and condiments, and second in pasta, beer and glass containers.</p> <p>1992 Key Figures (FF million)</p> <table border="1"> <tr> <td>Consolidated sales</td> <td>70,840</td> <td>Average annual growth 1987 - 1992</td> </tr> <tr> <td>Net income</td> <td>3,638</td> <td>+13.8%</td> </tr> <tr> <td>Cash flow</td> <td>7,399</td> <td>+17.0%</td> </tr> </table>	Consolidated sales	70,840	Average annual growth 1987 - 1992	Net income	3,638	+13.8%	Cash flow	7,399	+17.0%	 <p>Crédit Lyonnais</p> <p>Crédit Lyonnais, with a history dating back to 1863, became the largest non-Japanese bank in 1992 in terms of total assets, which exceed FRF 1.9 trillion (USD 345 billion), reflecting customer confidence. More than just a multinational bank present in 80 countries, Crédit Lyonnais has rounded out its unique network of 3,500 offices in Europe, including 900 outside France, with the acquisition of BPD Bank in Germany. As a universal banking group, Crédit Lyonnais operates in all the banking lines of business, providing individual, institutional and corporate customers worldwide with a comprehensive range of products and services suited to their needs.</p>	 <p>CS Holding</p> <p>CS Holding is one of the world's leading financial services groups. By building on our strengths we are shaping an institution capable of handling any major financial transaction. Worldwide, we focus on wholesale and investment banking, private banking and asset management, while in Switzerland we also have a strong position in retail banking. Our businesses are managed independently under their own well-established names, giving them the freedom they need to compete effectively in the global marketplace. This advertisement has been approved by Credit Suisse, a member of IMRO, SFA and the London Stock Exchange.</p>	 <p>Credit Suisse</p> <p>Credit Suisse is a subsidiary of CS Holding. As a major full-service bank based in Switzerland, Credit Suisse is one of the leading providers of financial services at both national and international level. With over 80 bases around the world, Credit Suisse is represented in all the main financial centres, industrialised nations and markets with strong growth potential. At the end of 1992 Credit Suisse's balance sheet total stood at Sfr 173 billion (1991: Sfr 156 billion). The annual profit for 1992 amounted to Sfr 857 million (1991: Sfr 848 million). Credit Suisse is a member of IMRO, the SFA and the London Stock Exchange.</p>
Consolidated sales	70,840	Average annual growth 1987 - 1992										
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Cash flow	7,399	+17.0%										
 <p>TELUS Corporation</p> <p>TELUS Corporation is a leading Canadian telecommunications and information management services company. Through its subsidiaries, TELUS strategically manages assets of \$3 billion. TELUS investments include CJC Cablevision (UK) Limited, which provides joint cable TV-telephone service to several areas northwest of London. In Canada, AGT is the largest member of the TELUS group, providing voice, video and data telecommunications services to the province of Alberta. Another subsidiary, AGT Mobility supplies wireless mobile communications, including cellular, paging and radio systems.</p>	 <p>Bayerische Vereinsbank</p> <p>For the third time in a row, Bayerische Vereinsbank showed strong earnings growth. In 1992, partial operating profit rose by 25.6%, total operating profit even by 35.6%, enabling the bank to provide for all foreseeable risks. The bank's total assets have further increased to a considerable extent. DM 252 million were distributed to shareholders with a dividend of DM 13 per share. Vereinsbank-Group with total assets of DM 252 bn is among Germany's five largest private banks and one of the biggest mortgage banking groups in Europe. The group has branches all over Germany and is represented in the major financial and economic centres in Europe, as well as in the US, Japan, Hong Kong, South Africa and the Middle East.</p>	 <p>Federal Mogul</p> <p>Through a network of more than 70 warehouses around the world, Federal Mogul's unique distribution system offers local availability of slow-moving, non-discretionary parts and a vast array of part numbers. The mix of its manufacturing and distribution capabilities give the \$1.3 billion company a competitive edge in serving both the aftermarket and the original equipment market. Federal Mogul shares are traded on the New York and Pacific stock exchanges.</p>	 <p>CANAL+</p> <p>Created in 1984 to operate a pay-television service in France, CANAL+ has become one of the world's top media companies in less than ten years. It is currently France's leading television channel in terms of both revenue and profitability. In 1992, the company's revenues rose to FRF 7.9 billion, while net income after minority interests reached FRF 1.1 billion. CANAL+ has also successfully exported its concept in key foreign markets and, in terms of revenues, now rivals the U.S.-based network HBO, long the uncontested leader in pay television.</p>									
 <p>Sandoz</p> <p>Sandoz is a global group of companies with corporate headquarters in Switzerland. The business sector Life Sciences (Pharmaceuticals, Seeds, Nutrition) accounts for two thirds of sales; Chemicals + Environment (Chemicals, Agro, Construction + Environment) for one third. Sandoz Pharma, one of the world's largest pharmaceutical companies, is a leader in immunology and endocrinology. Sandoz consolidated sales in 1992 were up 8% to Sfr. 14.416 billion. Net income increased by 34% to Sfr. 1.495 billion, due in equal parts to improvements in operational performance and to the first-time application of International Accounting Standards (IAS).</p>	 <p>TELEKURS AG, Zurich</p> <p>TELEKURS, based in Zurich, Switzerland, and with subsidiaries in all major financial centres of the world, offers a broad and varied spectrum of services for financial information distribution at the leading edge of technology. TELEKURS has at its disposal the world's most comprehensive securities database. With its services there is almost instant access to all relevant financial data from anywhere in the world. TELEKURS expanded its business 1992; turnover: Sfr. 404 million, cash flow Sfr. 57.3 million.</p>	 <p>Euro Group</p> <p>The Swedish-based Euro Group manufactures mineral-based building materials and distributes building materials in general. Euro is organised into six business areas today: Cement International, Cement Sweden, Concrete and Aggregates, Masonry Products, Plasterboard and Building Materials Distribution. Countries in the North Sea and Baltic Sea regions are important growth markets for the Group. In 1992, Euro's earnings after net financial items and minority shares declined from SEK 151 million to SEK 129 million, primarily due to substantial decline in the construction market. Net financial expense was reduced considerably and the Group had a positive cash flow. Despite the continuing weak market, Euro expects to remain in profit and have a positive cash flow in 1993.</p>	 <p>Aurora Electronics, Inc.</p> <p>Aurora Electronics, Inc. (AMEX: AUR) is the world leader in the emerging market for environmentally-sound and secure recycling and recovery of integrated circuits for the electronics industry. The Company reconditions and markets both recycled and non-conforming integrated circuits to over 1,500 customers worldwide. Aurora's goal is to build a world-class company that provides manufacturing and materials-related services to the electronic industry. Facilities are in California and Scotland.</p>									

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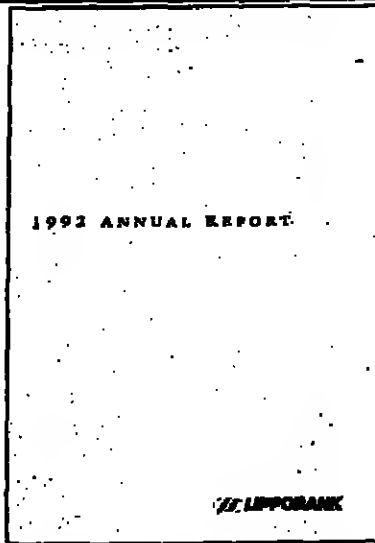
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Rabobank

With total assets of over \$128 billion the Dutch Rabobank Group ranks among the top 40 banks in the world. In most domestic market sectors, it is the nation's primary bank with the largest market share. Internationally the Rabobank Group runs some 30 offices in the USA, Latin America, Asia, Australia and Europe. In addition to its own offices in Europe, the bank has also opted to expand its services in a number of European states through a series of strategic alliances with other banks. International operations' share in corporate lending grew to 20% in 1992. The Rabobank has a global specialisation in food and agribusiness and agri trade finance.



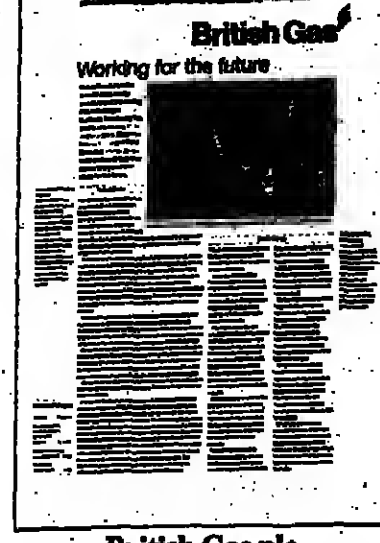
Lippobank

Lippobank, established in 1948, is one of Indonesia's leading commercial banks. Among publicly-listed banks it has the largest network of all, with more than 200 branches strategically positioned throughout the country. As part of the Lippo Group of companies, it has subsidiaries and financial service affiliates in Hong Kong, Singapore, Taiwan, Thailand, Australia and California - and either directly or via the Lippo Group, joint venture relationships in Indonesia with eminent banking names such as Tokai Bank, Daiwa Bank, Long Term Credit Bank of Japan, Banque Nationale de Paris and Business Trust. The shares of Lippobank, legally known as PT Lippo Bank, are actively traded on the Jakarta Stock Exchange.



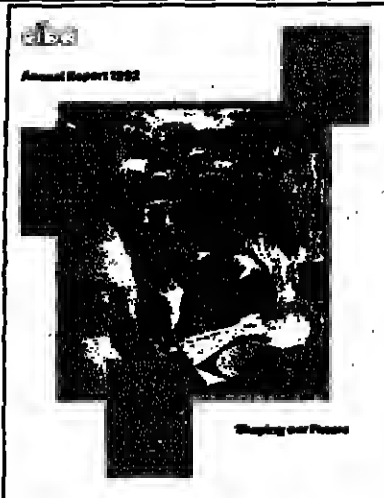
The Wharf (Holdings) Limited

The Wharf (Holdings) Limited is an asset-growth driven conglomerate, focused on strategic long-term investments in property and infrastructure in Hong Kong. For 1992, turnover exceeded \$365 million and group profit was over \$170 million. The Group's investment portfolio stands at 7.5 million sq ft and will reach 12.3 million sq ft by 1996. Wharf is also involved in terminals, transport, hotels and select investments in China. The group was recently awarded Hong Kong's only cable television franchise.



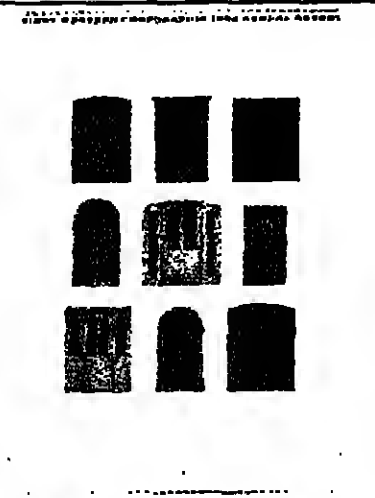
British Gas plc

British Gas is an international energy company based in the UK. In 1992 its turnover was £10 billion and operating profit 1.4 billion. It has three business streams, its primary activity as a UK gas utility, oil and gas exploration and production, and global downstream gas operations. International activities are wide-ranging with E&P or downstream gas business interests in currently 45 countries. British Gas is one of the few major companies involved in all aspects of the gas chain - E&P, transmission, storage, liquefied natural gas (LNG), distribution, gas trading, power generation and natural gas vehicles.



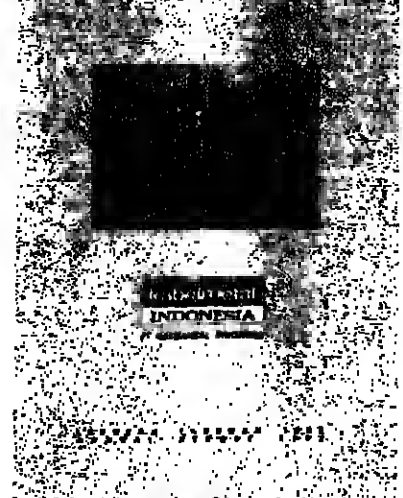
Ciba-Geigy Limited

Worldwide turnover was up 6% in local currencies, exceeding Sfr. 22,000 million. Profits increased by 19% to Sfr. 1,520 million. Leadership positions in our key businesses, agriculture and industrial chemicals strengthened. Active portfolio management continued with a concentration on biological businesses, and further streamlining of our industrial businesses. Outlook: We expect further structural improvements in our performance despite difficult external conditions.



First Western Corporation

First Western Corporation (NASDAQ:FWCO) engages in the mortgage banking business through its wholly-owned subsidiary, Express America Mortgage Corporation (formerly Western Mortgage Corp.). During the year ended September 30, 1992 and the six months ended March 31, 1993, First Western originated loans of \$702 million and \$1.5 billion respectively. The Company services mortgage loans as well as purchases and sells the rights to service loans. At March 31, 1993, First Western serviced a \$4 billion loan portfolio.



P.T. Kabelmetal Indonesia

Founded in 1972, PT Kabelmetal Indonesia is a leading player in the Indonesian electric and telecommunications cable industry, one of the fastest growing and most crucial sectors of Indonesia's fast growing economy. Since 1986, the Gajah Tunggal Group has provided the vision, management and financial support that enabled the Company to go public in June, 1992. Kabelmetal is one of a limited number of qualified suppliers to both the national electricity utility (PLN) and the telecommunications utility (PT Telkom). Its products also meet such international standards as DIN, IEC and VDE, enabling it to export to world markets. Kabelmetal is currently involved in the second phase of an expansion program designed to make it the most cost competitive cable producer in Indonesia.



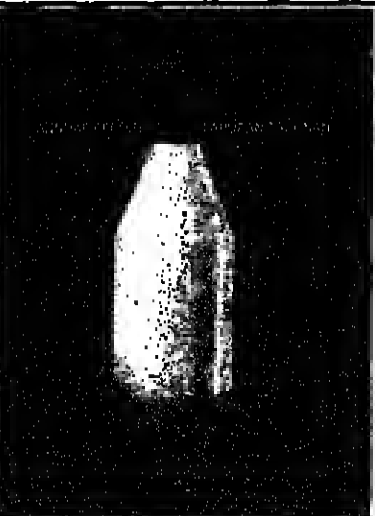
Bank Internasional Indonesia

Today, Indonesia is in a very volatile position. It has a stable government, and abundant natural resources such as oil, gold, timber, coal, etc. Modernisation and development is taking place at a rapid rate. Deregulation measures opened up the economy to foreign investment in a big way. Bank Internasional Indonesia is one of the largest privately owned banks nationwide. With controlled growth and a record of profitability, BII has grown to be a highly respected institution in both the commercial and private sectors.



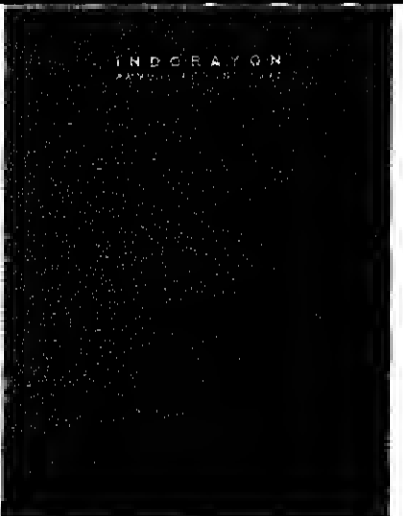
Ayala Land, Inc.

Ayala Land, Inc., the leading property developer in the Philippines, was publicly listed in 1991. It is primarily engaged in the development and sale of large-scale, multi-use and integrated communities, which began with the transformation of Makati, a Metro Manila suburb, from hectares of raw land into the Philippines' premier financial and business district. Its product lines consist of residential, office and industrial land; mixed-use shopping centers; high-rise buildings and townhouses; hotels; and even mass housing projects. The company's net asset value as of 31 January 1992 was placed at P61 billion or US\$ 2.3 billion. Its total market capitalisation of about P31 billion or US\$ 1.9 billion makes it the largest listed Philippine property stock.



PT Indorama Synthetics

PT Indorama Synthetics is the largest producer of textile raw materials in Indonesia. Established in 1974, the company presently has two divisions - Spinning division manufacturing wide range of Spun Yarns with capacity of 21,000 tpa and Polyester division manufacturing 60,000 tpa of Polyester Filament Yarns, Polyester Fibers and Chips. The company is also the largest exporter of blended yarns from Indonesia since 1986. The sales for 1992 were US\$ 117 million and net profit US\$ 21.7 million. The total assets at the end of 1992 stood at US\$ 300 million. The company, with market capitalisation of US\$ 365 million, is listed on the Jakarta Stock Exchange.



PT Inti Indorayon Utama

PT Inti Indorayon Utama commenced operations as a market pulp producer in early 1989. Today, it is Indonesia's biggest and one of Asia's largest producers of market pulp. It is also one of the lowest cost pulp producers in the world. The company in furtherance of its advantageous position has just completed the expansion of its pulp capacity and a rayon fibre plant. The future earnings will be substantially enhanced once these additions come onstream. For the year under review, operating profit was Rp 43,839 billion and net income was \$2,536 billion, an increase of 6.5% and 32.4% respectively over previous year.



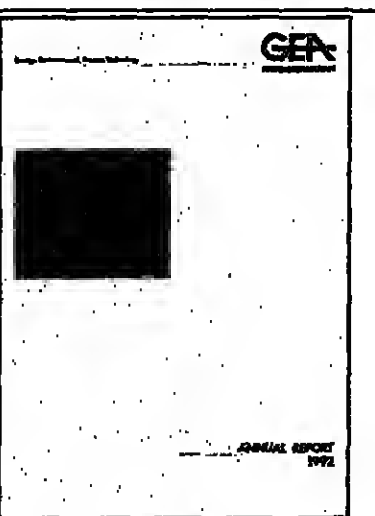
Statoil

Statoil is an integrated Norwegian oil company and ranks as the leading operator on Norway's continental shelf. Operations are also pursued in 15 other countries. The group reported a profit before taxation of NOK 11 billion in 1992, as against NOK 12.8 billion the year before. This reduction was primarily due to lower prices in all business areas, but increased oil production partly offset the market downturn. Statoil is organized in four business areas - Exploration & Production, Natural Gas, Refining & Marketing and Petrochemicals & Plastics. It had just over 14,000 employees at the end of last year.



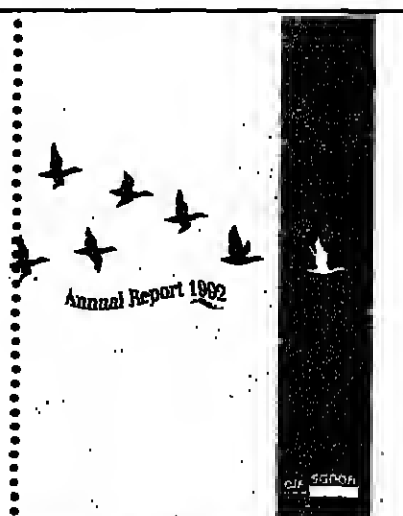
VICORP Restaurants, Inc.

VICORP Restaurants, Inc. (NASDAQ: VRES), headquartered in Denver, Colorado, operates or franchises 408 mid-scale restaurants in 25 states with major concentrations in Arizona, California, Florida, the Rocky Mountain region and the upper Midwest. The Company operates its restaurants under the names Baker Square and Village Inn and franchises restaurants under the Village Inn name. The Company also operates VICOM, a bakery production and food distribution division, as a support facility for its restaurant divisions. VICOM produces fresh quality pies for the restaurants' use and selective outside sale. Revenues for 1992 totalled \$418.1 million.



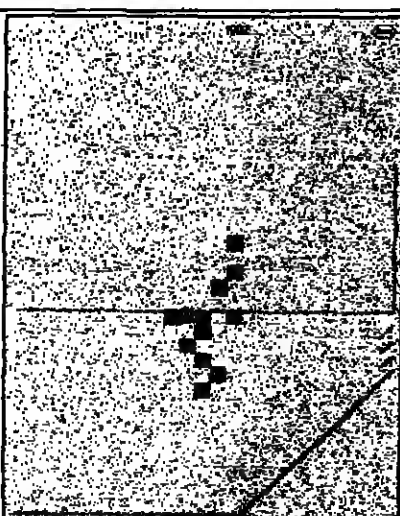
GEA AG

The GEA Group reports a successful financial year for 1992. The level of orders received at DM 2,152 bn exceeded the previous year's level (DM 1,780 bn) by 21%. Sales grew up by 28% from DM 1,682 bn to DM 2,159 bn. Cash flow increased and operating result is equally good as in the previous year. The Dutch Gresco Group was successfully turned round in the first year after its acquisition. The takeover of companies in Hungary and in the Czech Republic represented a successful step forward into the East European markets. Through the recent acquisition of the Danish NIRO Group in February, GEA is able to continue its healthy growth during the recession in 1993. Sales and orders received are each planned to total DM 2.7 bn.



Elf Sanofi

Serving the cause of life through three synergistic business segments: Human Healthcare (ethical pharmaceuticals, consumer health (OTC) products, Diagnostics), Bio-Activities (Bio-Industries, Agri-veterinary products, Rendering), Perfumes and Beauty Products. A transnational company with a staff of 40,000 in more than 100 countries around the world. Global market presence amounting to nearly 43.5 billion French francs. Chairman and Chief Executive Officer: Jean-François Duboeuf



Roche

Roche is a Swiss-based international health care group employing over 56,000 people worldwide. It is a research-driven company with a leading position in biotechnology and activities covering the entire health spectrum of prevention, diagnosis and treatment of disease. In addition to pharmaceuticals Roche is also engaged in the field of vitamins and fine chemicals, diagnostics, fragrances and flavours. In 1992 Roche Group consolidated sales rose 15% to reach Sfr. 12,853 million (US \$9,186 million). Consolidated net income grew 29% to Sfr. 1,916 million (US \$1,359 million). Group research and development expenditure amounted to Sfr. 1,998 million (US \$1,417 million) which corresponds to 15% of group sales.

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Speedy return on RTZ's move into US coal

By Kenneth Gooding,
Mining Correspondent

RTZ CORPORATION, the world's biggest mining group, has already sold the three gold and silver mines it acquired in February when it made a \$470m (£313m) move into the US coal business with the acquisition of Nercio, the flourishing natural resources company owned by PacificCorp.

Ironically, the recent rise in the gold price started by the high-profile activities of Mr George Soros and Sir James Goldsmith helped to speed RTZ's disposals, which will bring in at least \$400m.

Also Nercio had decided to dispose of its precious metals mines before being acquired by RTZ. In 1992 Nercio recorded pre-tax provisions of \$310.2m to write down the assets to estimated net realisable value and to provide for disposal costs and estimated operating losses to the date of disposal.

Minerco, the Luxembourg-quoted overseas investment arm of the Anglo American Corporation of South Africa, is paying \$21m cash for Nercio's Pikes Peak Mining Company, which owns 80 per cent of the Cripple Creek mine in Colorado. This mine last year produced 42,000 troy ounces of gold and 12,000 ounces of silver and has 1.4m ounces of gold in its reserves.

Kinross Gold, a US company

formed from the merger of Flexus Resources, CMP Resources and 102105 Ontario Corporation, is paying \$16.8m cash for Nercio's DeLamar gold-silver mine in south-west Idaho and the Candelaria silver mine in western Nevada.

DeLamar produced 38,000 ounces of gold and 1.82m ounces of silver last year. Reserves include 787,000 ounces of gold and 17.5m ounces of silver.

Mining operations at Candelaria were suspended in November 1990 because its reserves were almost exhausted, but ore processing continued and the mine produced 2,000 ounces of gold and 1m ounces of silver last year.

The sale to Kinross also includes the American Mine gold prospect in California and the Dunka Road base metal mine in northern Minnesota. Nercio has also agreed in principle to sell its Con mine in the Northwest Territories of Canada to Red Lion Management, a Vancouver-based conglomerate.

No price has been revealed so far for Con, a deep underground gold mine which produced 120,000 ounces of the metal last year and has more than 1.1m ounces in reserves. The sale includes 16,700 acres of mineral interests around the mine in the city of Yellowknife of which only 12 per cent has been explored.

Scottish Equitable Dutch deal approved

By James Buxton,
Scottish Correspondent

THE DEAL under which Aegon, the Dutch insurance group, will acquire control of Scottish Equitable Life Assurance Society took an important step forward yesterday when with-profits policyholders approved the transaction.

The deal means that the Edinburgh-based institution will cease to be a mutual company.

At a special meeting the change was approved by 29,885 policyholders, with 1,491 against.

Only two policyholders voiced serious opposition to the deal, the largest demoralisation by a British life company. Scottish Equitable said it needs to make the change to bring in new capital to continue expanding its unit-linked business.

Under the deal Scottish Equitable will transfer all its business to a new company, Scottish Equitable Plc, which will be 100 per cent owned by Aegon.

Aegon will inject £40m into this company and also pay £200m for an initial 40 per cent stake in Scottish Equitable Plc's unit-linked and other non-with-profits business.

The with-profits fund will remain for the sole benefit of with-profits policyholders. A voting trust is to be established to give additional safeguards for the rights of all policyholders.

At the meeting, Mr Colin Fisher, a with-profits policyholder, moved the transaction be adjourned for three months. "This is a takeover [by Aegon] from day one," he said. He called for "proper scrutiny of the strategy that led to this position - only that can tell us if the people sitting opposite are the right people to be running the company."

The motion to adjourn the meeting was defeated by 167 votes to eight.

City Site down to £170,000

A cut of £300,000 in interest charges enabled City Site Estates, the property investor, to record a pre-tax profit of £170,000 for the half year ended March 31 1993, compared with a previous £199,000.

Rental income was again £5.6m but property outgoing more than doubled to £818,000.

Earnings per share were 1p, against losses of 2p after preference dividends.

The company completed the disposal of Stockley House, London, for £26.6m, further reducing exposure to the central London market, and sold a Glasgow property for £2.45m.

Part of the proceeds were used to repay £6m of term loan facility and to buy in £5m of its first debenture stock.

Belgian side helps Wilshaw

A full year's contribution from its Belgian subsidiary in the distribution side helped Wilshaw lift pre-tax profits by 59 per cent.

For the year ended March 31 it produced £2.13m (£1.34m) from turnover ahead 34 per cent at £31.7m (£23.5m).

Earnings per share came to 1.59p (1.07p) and the final dividend is 0.35p to make 0.5p (0.4p).

The outlook for the current year was encouraging on all fronts, directors said.

The distribution division markets components for agricultural equipment. It lifted sales to £16.2m (£10.3m) and operating profit to £1.91m (£993,000).

In specialist metals sales were £11m (£5.03m) and profits held at £1.07m, while building products produced £4.46m (£4.43m) and £393,000 (£365,000) respectively.

Extraordinaries hit Cakebread

Part of the reorganisation at Cakebread Robey has been completed with the sale on Monday of its manufacturing companies, Clark Hunt Albion and Albion Design of Cambridge, for £1 to a company controlled by IMM Group.

All costs relating to the disposals were taken to the accounts for 1992, now published, in extraordinary charges of £4.45m. Turnover fell 12.5 per cent to £20m and the loss of £1.7m before extraordinary was almost unchanged.

Chinese show 'incredible' interest in fossil-fired turbine generators

Power systems is GEC's star performer

By Alan Cane

POWER SYSTEMS, GEC Alsthom's operations in power generating equipment and transport systems, was the star performer among GEC's principal businesses with an order book up 24 per cent at £8.1bn. Profits rose from £157m to £174m, on sales of £3.1bn compared with £2.8bn.

China, Taiwan and Germany were among the countries ordering fossil-fired turbine generators. Lord Weinstock said there had been "incredible" interest from China which had yet to translate into orders.

Orders were won for combined cycle gas turbine power stations in Europe and Asia including a 2,500MW power plant for Hong Kong and a 1,700MW station in the Netherlands.

Lord Weinstock said that GEC Alsthom's order book for rolling stock was now full for the next three years. Main contracts include 27 trains sets for the planned Paris, Brussels, Cologne and Amsterdam network, and 139 night service

GEC

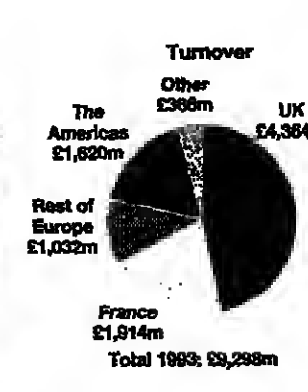


Other includes Australia, Asia, and Africa

coaches for the Channel tunnel.

The company managed to achieve negative net assets of £81m on its power systems business because of pre-payments received for large capital projects. Apparently low margins achieved on such contracts were misleading, Lord Weinstock said, because of the interest which could be secured on the pre-payments.

However, both revenues and profits fell in telecommunications as orders for System X



equipment from BT fell off rapidly. Sales of £1bn and operating profits of £106m were achieved, GEC said: "in trading conditions characterised by falling volumes and prices."

The price GEC is able to charge BT for an individual line has fallen to less than a quarter of its value in the late 1980s because of the growth of miniaturisation and integrated circuits.

A BT order valued at £579m, principally software for advanced applications, is the

key to GEC's prediction of modest growth in sales and profits for the coming year. First half sales and profits, however, will be well down on 1992-93.

Operating net assets were reduced by £120m as greater efficiencies are sought. Lord Weinstock warned that some parts of the company were beginning to invest in developments which would not reach the market. A review would be conducted soon to identify and cancel these developments. "It is not a big issue but 10 of these projects can end up costing you £100m a year," he said.

Electronic systems, comprising principally the defence businesses, showed an increase in sales despite declining defence expenditure in the US and UK. Exports grew 38 per cent to £882m and the order book advanced 9 per cent to a record £4.9bn.

Operating profits came to £264m after reorganisation costs and development expenditure on programmes for the Eurofighter 2000, equipment for the Merlin helicopter, a world leader in continuous ink jet printing.

1993 OPERATING PROFITS AND TURNOVER BY ACTIVITY

Activity	Operating profit (£m)	Turnover (£m)
Electronic systems	284	2,698
Power systems	174	3,135
Telecoms	106	1,012
Consumer goods	18	253
Electronic metrology	19	413
Office equipment & printing	32	314
Medical equipment	39	568
Other	45	1,029
Intra-activity sales	(134)	(134)
Total	695	9,298

*Includes Electronic components, Industrial applications and Distribution & trading. Figures in brackets are approximate.

Source: GEC

entertainment system for United Airlines.

Other parts of the business which performed well included office equipment and printing, achieved principally through the re-equipping and restructuring of AB Dick, the US-based office equipment supplier, and strong growth at Videjet, a world leader in continuous ink jet printing.

Hardy Oil calls for £29m via rights issue

By Deborah Hargreaves

HARDY Oil and Gas has launched a rights issue which will raise £29.1m net enabling it to acquire more producing oil and gas fields and improve its cash flow. The directors said the issue was partly prompted by changes in North Sea oil taxes.

Hardy is issuing 22m new shares on a 1-for-4 basis at 135p each. At yesterday's close the shares fell 3p at 155p.

"We want to bulk up our cash flow and boost the profit and loss account and the best way to do it is to buy

current production in the UK and overseas", said Mr Peter Elwes, chief executive.

Building up cash flow will put the company in better position to take on the heavy costs of financing future field development in the UK.

Its share of development costs for the Elgin and Banff fields could be as much as £120m, with work on Elgin expected to begin in 1995 and Banff the following year.

The proposed changes to Petroleum Revenue Taxes will have a short-term effect on the profit and loss account -

by removing a tax credit of nearly £7m enjoyed last year.

The government's transitional relief will reduce the impact on cash flow.

Mr Elwes said the rights issue would help the company cope with the change in taxes in the next two years, after which the reduced PRT rate will make its stakes in producing fields, such as the Forties, more profitable.

Proceeds will be used to buy more interests in the North Sea and possibly the Wyth Farm offshore development near Bournemouth.

Hardy is also looking to increase its position in Canada where oil production costs are as low as \$3 a barrel and buy some exposure to the North American gas market.

These assets will generate cash flow immediately which will help finance future growth. The debt to equity ratio was 44 per cent at the end of March and the rights issue will bring it down to 38 per cent.

The rights has been underwritten by Lazard Brothers and brokers are Cazenove and Kleinwort Benson Securities.

NEWS DIGEST

Tobermory distillery in £1m sale

BURN STEWART, the independent Scotch whisky distiller, is to buy Ledaig malt distillery at Tobermory, Isle of Mull. The deal, expected to be announced today, is estimated at about £1m.

The distillery, at present owned by Mr Stewart Jowett, a Yorkshire businessman, will give Burn Stewart the rights to the Tobermory and Ledaig brands as well as stocks of maturing whisky.

The distillery has had a chequered history. It was established in 1833 but was closed from 1928 to 1972, when it was owned by Distillers, and was closed again for most of the 1980s.

British Polythene

British Polythene Industries has purchased certain assets from the receiver of Punchcraft and its subsidiaries PG (Plastics) and Porter Hopkins, which are located at Workington, Cumbria, for £525,000 cash. In the years ended March 31 1991 and 1992 turnover of the two companies was £5.51m and £5.36m respectively.

Last month Polythene purchased the polythene sack business of Crown Sacks & Systems for £4.4m cash.

William Jacks

William Jacks, the motor dealer, yesterday said that due to insufficient distributability reserves it would pass payment on its 3.5 per cent cumulative preference shares.

In April, the group announced pre-tax losses of £417,000 (£850,000) for the 12 months to end-January 1993.

Explaura

Explaura Holdings, the USM-quoted company which quarries limestone aggregates in Newfoundland, showed an increased loss of £3.7m for 1992, compared with £2.11m.

From turnover of £1.58m (£1.92m) operating profit was £517,000 (£263,000). A reduction in costs and expenses was outweighed by an exceptional £774,000 had debt arising on the cessation of New York distributorship. Losses per share were 1.61p (1.66p).

Lister

Losses and special provisions largely associated with the restructuring of its furnishing operations, meant losses at Lister rose slightly, from £2.76m to £2.5m pre-tax, in the year to March 27.

The company - which makes a wide range of textile products and has interests in property investment, engineering and insurance broking - lifted sales to £33.5m (£30.9m), but poor trading conditions continued to hit margins.

Losses per share were 17.65p (17.11p), while the dividend is unchanged at 0.1p.

LIT

LIT Holdings, the marketing services, investment and fund management group, has reached agreement for the disposal of LIT America, its US futures and options clearing subsidiary. The purchaser is a subsidiary of Spear Leeds and Kellogg, a New York-based securities firm.

Consideration is \$7.7m (£5.13m) cash and an amount of loan notes to be determined by a formula following a post-completion audit. The present estimate of the loan notes' face value is \$16m.

Corporate Services

Corporate Services, the employment services concern, has issued £325,000 interest free convertible unsecured loan stock 2000 to Renaissance Holdings as part of the consideration for its purchase of Argosy Employment in 1991.

Administrative receivers of Renaissance are exercising the right of conversion, and 203,125 shares will be issued.

TDC

Transport Development Group is to close Translittoral, its long distance trucking subsidiary based in Boulogne, at a cost of £Fr100m (£11.7m).

The action has been taken as part of a programme to stem heavy losses and the cost will be borne as a provision in the results to June 30.

Nationwide

£300,000,000

Floating Rate Notes

Due 1996

(Second Series)

Notice is hereby given that the notes will bear interest at 6.1425% per annum from 30th June, 1993 to 30th July, 1993. Interest payable on 30th July, 1993 will amount to £25.24 per £50,000 note to £252.43 per £50,000 note.

Nationwide Building Society

Agents: Rumb & Co., Limited

Fleming

Flagship Fund

Société d'investissement à Capital Variable

45, rue des Scilles, L-2528 Homseld, Grand Duché de Luxembourg

RC Luxembourg No. 84678

Notice is hereby given that the following dividend will be paid:

FFF-FLEMING

STERLING BOND FUND

A dividend of 5.35p per share will be paid on 9 July 1993 to shareholders of register as at the close of business on 30 June 1993.

EASTERN ELECTRICITY ANNOUNCES AN EXCELLENT YEAR FOR CUSTOMERS, SHAREHOLDERS AND PEOPLE WHO USE GAS.

PRELIMINARY RESULTS

For year ended 31 March	1993	1992	%
OPERATING PROFIT	£186.1m	£156.9m	+19
PROFIT BEFORE TAX	£183.4m	£143.1m	+28
EARNINGS PER SHARE	50.1p	38.6p	+30
DIVIDEND PER SHARE	19.2p	16.7p	+15

Cost reductions in place to yield on-going savings of £20m per year.

Prices frozen for 3 million customers. Each given a £5 efficiency bonus.

Additional £11m committed to meeting customer needs.

£54m capital invested in the distribution network.

One of the UK's leading independent gas suppliers.

The many significant steps we have taken over the past

year have provided the company with a very strong

foundation upon which to grow as we take measured steps

towards our goal of becoming a more broadly based

energy company. Dr James Smith, Chairman and Chief Executive.



Copies of the Annual Report will be sent to shareholders in mid July. Additional copies may be obtained from the Company Secretary, Eastern Electricity plc, Wharfedale Park, Parkway, Wakefield, West Yorkshire WF1 1JY.

LONDON SHARE SERVICE

AMERICANS

Company	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	59
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LONDON SHARE SERVICE**INVESTMENT TRUSTS - Cont.**

Securities Inc.	Price	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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MERCHANT BANKS[illegible]

ON A NEW BOOK

[illegible]

PACKAGING, PAPER & PRINTING - Con

	Notes	Price	%	1993	MM	Yr	%
1	AT&T	125	0	292	300	227.8	7.4
2	AT&T Div. Integrit	172	-1	212	172	142.9	21
3	AT&T	47	-48	130	178	94.8	31
4	AT&T	10	-1	10	10	10	10
5	AT&T	186	-10	227	184	72.9	49
6	AT&T	460	+10	111	460	293	39
7	AT&T	186	-10	227	184	72.9	49
8	AT&T	460	+10	111	460	293	39
9	AT&T	186	-10	227	184	72.9	49
10	AT&T	460	+10	111	460	293	39
11	AT&T	186	-10	227	184	72.9	49
12	AT&T	460	+10	111	460	293	39
13	AT&T	186	-10	227	184	72.9	49
14	AT&T	460	+10	111	460	293	39
15	AT&T	186	-10	227	184	72.9	49
16	AT&T	460	+10	111	460	293	39
17	AT&T	186	-10	227	184	72.9	49
18	AT&T	460	+10	111	460	293	39
19	AT&T	186	-10	227	184	72.9	49
20	AT&T	460	+10	111	460	293	39
21	AT&T	186	-10	227	184	72.9	49
22	AT&T	460	+10	111	460	293	39
23	AT&T	186	-10	227	184	72.9	49
24	AT&T	460	+10	111	460	293	39
25	AT&T	186	-10	227	184	72.9	49
26	AT&T	460	+10	111	460	293	39
27	AT&T	186	-10	227	184	72.9	49
28	AT&T	460	+10	111	460	293	39
29	AT&T	186	-10	227	184	72.9	49
30	AT&T	460	+10	111	460	293	39
31	AT&T	186	-10	227	184	72.9	49
32	AT&T	460	+10	111	460	293	39
33	AT&T	186	-10	227	184	72.9	49
34	AT&T	460	+10	111	460	293	39
35	AT&T	186	-10	227	184	72.9	49
36	AT&T	460	+10	111	460	293	39
37	AT&T	186	-10	227	184	72.9	49
38	AT&T	460	+10	111	460	293	39
39	AT&T	186	-10	227	184	72.9	49
40	AT&T	460	+10	111	460	293	39
41	AT&T	186	-10	227	184	72.9	49
42	AT&T	460	+10	111	460	293	39
43	AT&T	186	-10	227	184	72.9	49
44	AT&T	460	+10	111	460	293	39
45	AT&T	186	-10	227	184	72.9	49
46	AT&T	460	+10	111	460	293	39
47	AT&T	186	-10	227	184	72.9	49
48	AT&T	460	+10	111	460	293	39
49	AT&T	186	-10	227	184	72.9	49
50	AT&T	460	+10	111	460	293	39
51	AT&T	186	-10	227	184	72.9	49
52	AT&T	460	+10	111	460	293	39
53	AT&T	186	-10	227	184	72.9	49
54	AT&T	460	+10	111	460	293	39
55	AT&T	186	-10	227	184	72.9	49
56	AT&T	460	+10	111	460	293	39
57	AT&T	186	-10	227	184	72.9	49
58	AT&T	460	+10	111	460	293	39
59	AT&T	186	-10	227	184	72.9	

TELEPHONE NETWORKS

[illegible]

MINES • CONSTRUCTION

		Price	Chg	1000s	1000s
12	Midland and Platts			212	3,178
13	Anglo Am Oil			177	4,072
14	De Beers Ltd			376	2,600
15	Alcoa Inc			118	491
16	Alcoa Inc	858	-8	121	651
17	Aluminum Co	896	30	121	651
18	Aluminum Co	896	30	121	651
19	Aluminum Co	896	30	121	651
20	Aluminum Co	896	30	121	651
21	Aluminum Co	896	30	121	651
22	Aluminum Co	896	30	121	651
23	Aluminum Co	896	30	121	651
24	Aluminum Co	896	30	121	651
25	Aluminum Co	896	30	121	651
26	Aluminum Co	896	30	121	651
27	Aluminum Co	896	30	121	651
28	Aluminum Co	896	30	121	651
29	Aluminum Co	896	30	121	651
30	Aluminum Co	896	30	121	651
31	Aluminum Co	896	30	121	651
32	Aluminum Co	896	30	121	651
33	Aluminum Co	896	30	121	651
34	Aluminum Co	896	30	121	651
35	Aluminum Co	896	30	121	651
36	Aluminum Co	896	30	121	651
37	Aluminum Co	896	30	121	651
38	Aluminum Co	896	30	121	651
39	Aluminum Co	896	30	121	651
40	Aluminum Co	896	30	121	651
41	Aluminum Co	896	30	121	651
42	Aluminum Co	896	30	121	651
43	Aluminum Co	896	30	121	651
44	Aluminum Co	896	30	121	651
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67	Aluminum Co	896	30	121	651
68	Aluminum Co	896	30	121	651
69	Aluminum Co	896	30	121	651
70	Aluminum Co	896	30	121	651
71	Aluminum Co	896	30	121	651
72	Aluminum Co	896	30	121	651
73	Aluminum Co	896	30	121	651
74	Aluminum Co	896	30	121	651
75	Aluminum Co	896	30	121	651
76	Aluminum Co	896	30	121	651
77	Aluminum Co	896	30	121	651
78	Aluminum Co	896	30	121	651
79	Aluminum Co	896	30	121	651
80	Aluminum Co	896	30	121	651
81	Aluminum Co	896	30	121	651
82	Aluminum Co	896	30	121	651
83	Aluminum Co	896	30	121	651
84	Aluminum Co	896	30	121	651
85	Aluminum Co	896	30	121	651
86	Aluminum Co	896	30	121	651
87	Aluminum Co	896	30	121	651
88	Aluminum Co	896	30	121	651
89	Aluminum Co	896	30	121	651

INVESTMENT COMPANIES

	Notes	Price	± or	1993	Yld	93/ MW
				High		
Barring Chrycolene		85		79	52	
Warrents		85		79	52	
Barney Puma 1st		1384		1369	1080	
Barney Puma 2nd		154		177	133	228.8
Barney Puma 3rd		154		177	133	228.8
Barney Puma 4th		154		177	133	228.8
Barney Puma 5th		154		177	133	228.8
Barney Puma 6th		154		177	133	228.8
Barney Puma 7th		154		177	133	228.8
Barney Puma 8th		154		177	133	228.8
Barney Puma 9th		154		177	133	228.8
Barney Puma 10th		154		177	133	228.8
Barney Puma 11th		154		177	133	228.8
Barney Puma 12th		154		177	133	228.8
Barney Puma 13th		154		177	133	228.8
Barney Puma 14th		154		177	133	228.8
Barney Puma 15th		154		177	133	228.8
Barney Puma 16th		154		177	133	228.8
Barney Puma 17th		154		177	133	228.8
Barney Puma 18th		154		177	133	228.8
Barney Puma 19th		154		177	133	228.8
Barney Puma 20th		154		177	133	228.8
Barney Puma 21st		154		177	133	228.8
Barney Puma 22nd		154		177	133	228.8
Barney Puma 23rd		154		177	133	228.8
Barney Puma 24th		154		177	133	228.8
Barney Puma 25th		154		177	133	228.8
Barney Puma 26th		154		177	133	228.8
Barney Puma 27th		154		177	133	228.8
Barney Puma 28th		154		177	133	228.8
Barney Puma 29th		154		177	133	228.8
Barney Puma 30th		154		177	133	228.8
Barney Puma 31st		154		177	133	228.8
Barney Puma 32nd		154		177	133	228.8
Barney Puma 33rd		154		177	133	228.8
Barney Puma 34th		154		177	133	228.8
Barney Puma 35th		154		177	133	228.8
Barney Puma 36th		154		177	133	228.8
Barney Puma 37th		154		177	133	228.8
Barney Puma 38th		154		177	133	228.8
Barney Puma 39th		154		177	133	228.8
Barney Puma 40th		154		177	133	228.8
Barney Puma 41st		154		177	133	228.8
Barney Puma 42nd		154		177	133	228.8
Barney Puma 43rd		154		177	133	228.8
Barney Puma 44th		154		177	133	228.8
Barney Puma 45th		154		177	133	228.8
Barney Puma 46th		154		177	133	228.8
Barney Puma 47th		154		177	133	228.8
Barney Puma 48th		154		177	133	228.8
Barney Puma 49th		154		177	133	228.8
Barney Puma 50th		154		177	133	228.8
Barney Puma 51st		154		177	133	228.8
Barney Puma 52nd		154		177	133	228.8
Barney Puma 53rd		154		177	133	228.8
Barney Puma 54th		154		177	133	228.8
Barney Puma 55th		154		177	133	228.8
Barney Puma 56th		154		177	133	228.8
Barney Puma 57th		154		177	133	228.8
Barney Puma 58th		154		177	133	228.8
Barney Puma 59th		154		177	133	228.8
Barney Puma 60th		154		177	133	228.8
Barney Puma 61st		154		177	133	228.8
Barney Puma 62nd		154		177	133	228.8
Barney Puma 63rd		154		177	133	228.8
Barney Puma 64th		154		177	133	228.8
Barney Puma 65th		154		177	133	228.8
Barney Puma 66th		154		177	133	228.8
Barney Puma 67th		154		177	133	228.8
Barney Puma 68th		154		177	133	228.8
Barney Puma 69th		154		177	133	228.8
Barney Puma 70th		154		177	133	228.8
Barney Puma 71st		154		177	133	228.8
Barney Puma 72nd		154		177	133	228.8
Barney Puma 73rd		154		177	133	228.8
Barney Puma 74th		154		177	133	228.8
Barney Puma 75th		154		177	133	228.8
Barney Puma 76th		154		177	133	228.8
Barney Puma 77th		154		177	133	228.8
Barney Puma 78th		154		177	133	228.8
Barney Puma 79th		154		177	133	228.8
Barney Puma 80th		154		177	133	228.8
Barney Puma 81st		154		177	133	228.8
Barney Puma 82nd		154		177	133	228.8
Barney Puma 83rd		154		177	133	228.8
Barney Puma 84th		154		177	133	228.8
Barney Puma 85th		154		177	133	228.8
Barney Puma 86th		154		177	133	228.8
Barney Puma 87th		154		177	133	228.8
Barney Puma 88th		154		177	133	228.8
Barney Puma 89th		154		177	133	228.8
Barney Puma 90th		154		177	133	228.8
Barney Puma 91st		154		177	133	228.8
Barney Puma 92nd		154		177	133	228.8
Barney Puma 93rd		154		177	133	228.8
Barney Puma 94th		154		177	133	228.8
Barney Puma 95th		154		177	133	228.8
Barney Puma 96th		154		177	133	228.8
Barney Puma 97th		154		177	133	228.8
Barney Puma 98th		154		177	133	228.8
Barney Puma 99th		154		177	133	228.8
Barney Puma 100th		154		177	133	228.8
Barney Puma 101st		154		177	133	228.8
Barney Puma 102nd		154		177	133	228.8
Barney Puma 103rd		154		177	133	228.8
Barney Puma 104th		154		177	133	228.8
Barney Puma 105th		154		177	133	228.8
Barney Puma 106th		154		177	133	228.8
Barney Puma 107th		154		177	133	228.8
Barney Puma 108th		154		177	133	228.8
Barney Puma 109th		154		177	133	228.8
Barney Puma 110th		154		177	133	228.8
Barney Puma 111th		154		177	133	228.8
Barney Puma 112th		154		177	133	228.8
Barney Puma 113th		154		177	133	228.8
Barney Puma 114th		154		177	133	228.8
Barney Puma 115th		154		177	133	228.8
Barney Puma 116th		154		177	133	228.8
Barney Puma 117th		154		177	133	228.8
Barney Puma 118th		154		177	133	228.8
Barney Puma 119th		154		177	133	228.8
Barney Puma 120th		154		177	133	228.8
Barney Puma 121st		154		177	133	228.8
Barney Puma 122nd		154		177	133	228.8
Barney Puma 123rd		154		177	133	228.8
Barney Puma 124th		154		177	133	228.8
Barney Puma 125th		154		177	133	228.8
Barney Puma 126th		154		177	133	228.8
Barney Puma 127th		154		177	133	228.8
Barney Puma 128th		154		177	133	228.8
Barney Puma 129th		154		177	133	228.8
Barney Puma 130th		154		177	133	228.8
Barney Puma 131st		154		177	133	228.8
Barney Puma 132nd		154		177	133	228.8
Barney Puma 133rd		154		177	133	228.8
Barney Puma 134th		154		177	133	228.8
Barney Puma 135th		154		177	133	228.8
Barney Puma 136th		154		177	133	228.8
Barney Puma 137th		154		177	133	228.8
Barney Puma 138th		154		177	133	228.8
Barney Puma 139th		154		177	133	228.8
Barney Puma 140th		154		177	133	228.8
Barney Puma 141st		154		177	133	228.8
Barney Puma 142nd		154		177	133	228.8
Barney Puma 143rd		154		177	133	228.8
Barney Puma 144th		154		177	133	228.8
Barney Puma 145th		154		177	133	228.8
Barney Puma 146th		154		177	133	228.8
Barney Puma 147th		154		177	133	228.8
Barney Puma 148th		154		177	133	228.8
Barney Puma 149th		154		177	133	228.8
Barney Puma 150th		154		177	133	228.8
Barney Puma 151st		154		177	133	228.8
Barney Puma 152nd		154		177	133	228.8
Barney Puma 153rd		154		177	133	228.8
Barney Puma 154th		154		177	133	228.8
Barney Puma 155th		154		177	133	228.8
Barney Puma 156th		154		177	133	228.8
Barney Puma 157th		154		177	133	228.8
Barney Puma 158th		154		177	133	228.8
Barney Puma 159th		154		177	133	228.8
Barney Puma 160th		154		177	133	228.8
Barney Puma 161st		154		177	133	228.8
Barney Puma 162nd		154		177	133	228.8
Barney Puma 163rd		154		177	133	228.8
Barney Puma 164th		154		177	133	228.8
Barney Puma 165th		154		177	133	228.8
Barney Puma 166th		154		177	133	228.8
Barney Puma 167th		154		177	133	228.8
Barney Puma 168th		154		177	133	228.8
Barney Puma 169th		154		177	133	228.8
Barney Puma 170th		154		177	133	228.8
Barney Puma 171st		154		177	133	228.8
Barney Puma 172nd		154		177	133	228.8
Barney Puma 173rd		154		177	133	228.8
Barney Puma 174th		154		177	133	228.8
Barney Puma 175th		154		177	133	228.8
Barney Puma 176th		154		177	133	228.8
Barney Puma 177th		154		177	133	228.8
Barney Puma 178th		154		177	133	228.8
Barney Puma 179th		154		177	133	228.8
Barney Puma 180th		154		177	133	228.8
Barney Puma 181st		154		177	133	228.8
Barney Puma 182nd		154		177	133	228.8
Barney Puma 183rd		154		177	133	228.8
Barney Puma 184th		154		177	133	228.8
Barney Puma 185th		154		177	133	228.8
Barney Puma 186th		154		177	133	228.8
Barney Puma 187th		154		177	133	228.8
Barney Puma 188th		154		177	133	228.8
Barney Puma 189th		154		177	133	228.8
Barney Puma 190th		154		177	133	228.8
Barney Puma 191st		154		177	133	228.8
Barney Puma 192nd		154		177	133	228.8
Barney Puma 193rd		154		177	133	228.8
Barney Puma 194th		154		177	133	228.8
Barney Puma 195th		154		177	133	228.8
Barney Puma 196th		154		177	133	228.8
Barney Puma 197th		154		177	133	228.8
Barney Puma 198th		154		177	133	228.8
Barney Puma 199th		154		177	133	228.8
Barney Puma 200th		154		177	133	228.8
Barney Puma 201st		154		177	133	228.8
Barney Puma 202nd		154		177	133	228.8
Barney Puma 203rd		154		177	133	228.8
Barney Puma 204th		154		177	133	228.8
Barney Puma 205th		154		177	133	228.8
Barney Puma 206th						

Bluebird Toys	290	+10	290	129	220	15
Brit B'stack	49	--	59	42	1.86	-

[illegible]**OTHER FINANCIAL**[illegible]

Events on Comms.....	1	55	88	44
Event.....	↓	55	88	44
Event Date.....	27/2	27/2	27/2	11

[illegible]

121	+	70.6
130	-	-

[illegible]

Pancontinental	21 ₂	---	21 ₂	01 ₂	11 ₂
Paragon Rec.	21 ₂	---	21 ₂	01 ₂	11 ₂

[illegible]

MEDIA

[illegible]

Sotobys A 8	850	975	7.30	170.2
Sohn Business	70	140	86	97.5

[illegible]

4.4 2
6.1 6.5
2.0 17.0

[illegible]

Town Centre	107	72	4
Trafford Park	87	72	51
Unmeasured	15	15 1/2	

[illegible]

3	45.4	40	181	100%	100%
2	375	-	-	-	-

[illegible]

calculated on "net" distribution basis, changes per share based on profit after taxation, excluding exceptional profits/losses and non-recurring items. Models are based on mid-price, any gross

[illegible]

series.
Highly ac-
this is
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the publi-
e of stock
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complete

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (877) 873-4378 for more details.

OTHER UK UNIT TRUSTS

OFFSHORE INSURANCES

هذه امه الاصل

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[illegible]

CANADA

CANADA

Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close
TORONTO																							
4 pm close June 30																							
Quotations in cents unless noted \$																							
11140	Ambl Pil	\$135	13 1/2	13 1/2	-	2005	Danion A	30	30	30	30	14357	Almaco	\$128	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
50180	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	6800	Danion B	395	390	340	340	32402	Magna B	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
17800	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	35370	Danion C	5115	5115	14 1/4	14 1/4	104020	Magna B	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
50180	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	5917	Danion D	1117	1117	11 1/4	11 1/4	6917	Magna B	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
2833	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	17695	Danion E	547 1/2	547 1/2	45 1/2	45 1/2	21021	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
54397	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	23913	Danion F	547 1/2	547 1/2	45 1/2	45 1/2	11081	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
42328	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	2160	Danion G	547 1/2	547 1/2	45 1/2	45 1/2	21021	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
101275	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	143580	Danion H	515 1/2	515 1/2	15 1/2	15 1/2	7531	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
148552	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	8200	Danion I	515 1/2	515 1/2	15 1/2	15 1/2	14945	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
124550	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	15160	Danion J	515 1/2	515 1/2	15 1/2	15 1/2	69500	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
76759	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	111	FFI Ltd	405	405	405	405	39155	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
30080	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	71500	FFI Ltd	405	405	405	405	123235	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
293670	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	81020	FFI Ltd	405	405	405	405	40200	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
855000	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	10770	FFI Ltd	405	405	405	405	21021	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
42328	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	2785	FFI Ltd	405	405	405	405	11081	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
2700	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	47080	FFI Ltd	405	405	405	405	21274	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
7372	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	12300	FFI Ltd	405	405	405	405	20388	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
5637	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	8200	FFI Ltd	405	405	405	405	16300	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
1400	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	3400	FFI Ltd	405	405	405	405	77405	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
62620	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	89170	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
143300	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	127375	FFI Ltd	405	405	405	405	58100	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
14725	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	29660	FFI Ltd	405	405	405	405	48242	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
70000	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	74540	FFI Ltd	405	405	405	405	58000	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
104431	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	1865	FFI Ltd	405	405	405	405	61420	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
397440	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	97447	FFI Ltd	405	405	405	405	23150	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
184558	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	7160	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
461385	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	105832	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
461385	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	95500	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
352575	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	100	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
461385	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	102148	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
7350	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	97575	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
42000	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	94005	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
9550	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	280100	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
29430	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	136544	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
110335	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	504500	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
1200	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	1980	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
2700	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	34250	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
579	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	410502	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
30080	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	200	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
11380	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	1878	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
32550	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	200	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
127300	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	200	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
7000	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	1878	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
17500	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	200	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
35488	Ambl Pil	\$135	13 1/2	13 1/2	13 1/2	17400	FFI Ltd	405	405	405	405	21271	Magna T	\$21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2

INDICES

NEW YORK DOW JONES	1988	Since completion	June 30 1988	1993	LOW																	
June 26	29	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5
Industrials	3514.85	3505.20	3460.00	3400.01	3354.83	3311.91	3264.83	3211.21	3168.11	3125.01	3081.91	3038.81	2995.71	2952.61	2909.51	2866.41	2823.31	2780.21	2737.11	2694.01	2650.91	2607.81
Transp.	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59	150.59
Utilities	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66	294.66				

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TOKYO - Most Active Stocks							
Wednesday, June 30, 1993							
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	3,585	390	-3	Hitachi	600	317	-3
Saitama MI Mfr	3,481	1,020	+32	Hitachi Zosen	2,285	560	+14
Daiichi Eng	4,085	765	+15	Fujitsu	2,585	710	-20
Nissanatsu Const.	4,555	880	-20	Mitsubishi Hvy	2,485	621	+1
Citibank Watch	3,715	960	-40	Obayashi	2,485	480	-2

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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Dow flat as
equities await
NAPM data

Wall Street

US share prices were little changed yesterday as the financial markets prepared for tomorrow's all-important employment figures, writes Patrick Horverson in New York.

At 1pm, the Dow Jones Industrial Average was down 1.39 at 3,517.46. The more broadly based Standard & Poor's 500 was 0.10 lower at 450.57, while the Amex composite was up 0.58 at 434.10 and the Nasdaq composite up 0.39 at 704.46. Trading volume on the NYSE was 150m shares by 1pm.

After Tuesday's string of bad economic reports, investors and dealers were reluctant yesterday to push prices higher. The day's economic news - a slight rise in the Chicago purchasing managers' index of local economic activity and a 1.4 per cent decline in May factory orders - was mixed, and had little impact upon a market which remains deeply concerned about the erratic progress of the economy.

Many participants chose to stay on the sidelines, awaiting today's National Association of Purchasing Management's index, which should give a reading of nationwide business activity, and, more importantly, tomorrow's June employment report. Analysts are expecting the report to show a rise of between 100,000 and 150,000 in non-farm payrolls, which would be consistent with a below-par economic recovery.

American Express firmed 3/4 to \$31.75 as investors seemed to welcome management changes instigated by the travel and financial services group's recently appointed chief executive, Mr Harvey Golub. Analysts said that the changes reinforced Mr Golub's hold on the company.

Quantum Chemical soared 3/4 to \$19.00 on news that the

UK group, Hanson, is to buy the company for \$3.2bn in a stock swap involving Hanson's American Depository Shares. The news boosted the price of Hanson's ADS by \$4 to \$17.10 in volume of 2m shares.

Gillette rose 3/4 to \$54.40 after it launched a new version of its highly successful "Sensor" razor.

Telmex, the big Mexican telecommunications group, dropped 3/4 to \$47.00 on fears that the North American Free Trade Agreement between the US, Canada and Mexico may have been dealt a serious blow by the ruling of a US district judge that NAFTA violates the National Environment Policy Act.

Euron fell 3/4 to \$56.40 after the company agreed to contribute \$250m over three years to a joint energy investment venture with the big Californian public pension fund, Calpers.

CompUSA fell 3/4 to \$29.75 following a warning from the technology retailer that fourth-quarter net income would come in at the low end of market expectations.

Canada

TORONTO remained weak at 10,000 as investors took profits in the wake of last week's rally. The TSE-300 index was 12.49 lower at 3,950.74 by mid-session in turnover of 39.8m shares valued at C\$437.5m.

Northern Telecom remained a key feature, losing a further C\$1 to C\$94 in volume of 1.75m shares, after announcing a number of executive changes. The stock has fallen a total of C\$13.13 in three trading days.

SOUTH AFRICA

GOLD shares made steady gains but lacked the major buying support seen recently as investors waited for bullion to break the \$380 an ounce barrier. The gold index rose 34 to 1,910, Industrials 4 to 4,698 and the overall 24 to 4,078.

EUROPE

Frankfurt gives up ground on position-squaring

THERE was much discussion, and not a little optimism about German interest rate prospects, although Frankfurt itself was not obviously bullish, writes Our Markets Staff.

FRANKFURT squared its positions at the end of the second quarter and ahead of today's Bundesbank meeting. The DAX index fell 10.70 to 1,897.83, cyclical leading the way down, as turnover fell from DM7.7bn to DM6.8bn.

Yesterday's trend was technical, and a note from Merck Finck in Düsseldorf bore this out. The second quarter's individual leaders were all cyclical, Volkswagen coming top again with three and six-month gains of 18.5 and 49.7 per cent respectively. The losers were all banks, Bayernversicherung, Bayernhypo and Dresdner shedding 7.5, 6.3 and 5.9 per cent.

Volkswagen managed its gains in spite of a DM7.70 fall to DM262.50 after its Audi subsidiary announced a first-half loss and a 29 per cent decline in sales. MAN and Daimler followed suit in the automotive sector with falls of DM5 to DM281.60, and DM7.90 to

DM613.80. The banking sector was only slightly lower on the day.

PARIS eased slightly on the expiry of options and futures, the CAC-40 index losing 5.63 to 1,971.87, as turnover rose to FF7.6bn.

Kleinwort Benson, in its latest monthly research paper on France, forecast that fresh interest rate cuts will both sustain and then buoy up the equity market. "Lower rates might add three points to the market's p/e ratio," it said; "company profits are more resilient than they may appear; and a change in the structure of domestic savings will release funds into the market."

St Gobain, a cyclical used as an economic indicator, eased FF6 to FF508 as James Capel sharply downgraded its profit forecasts for 1993 and 1994.

Bridania Beghin-Say, a component of the Italian delisted Faruzzi group, denied comment that it might be sold, but the shares nevertheless gained FF6.60 to FF77.9.

AMSTERDAM saw strength in Philips, which closed 90 cents higher at a 12-month

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES										
Index	Open	10.30	11.30	12.00	13.00	14.00	15.00	Close	Change	High
FT-SE 100	1207.57	1207.57	1207.57	1207.57	1207.57	1207.57	1207.57	1207.57	1207.57	1207.57
FT-SE 250	1263.58	1263.58	1263.58	1263.58	1263.58	1263.58	1263.58	1263.58	1263.58	1263.58

high of FF30.10. Investors were encouraged by news that the group expected a FF1.1bn extraordinary gain from the sale of its stake in Matsushita Electronics.

The CBS Tendency index finished 0.3 ahead at 112.5. ZURICH ended slightly firmer as dealers speculated about the outcome of today's Bundesbank meeting.

The discussion seemed to ignore a television interview by Mr Markus Lusser, president of the Swiss National Bank, which included the statement that high Swiss money supply growth limits the immediate latitude for another interest rate cut. In

the banking sector, bears in UBS, SFRs higher at an all-time high of SFR1.100, topped the active list.

MILAN was buffeted by some disappointing news from Fiat at its annual meeting, continued nervousness over the outcome of talks on reaching a wage accord, and the possibility of delay in the passage of the crucial electoral reform bill through parliament.

The Comit index edged 0.74 higher at 536.15. Mr Michele Pacitti, an Italian analyst at NatWest Securities in London, commented that the likelihood of elections this autumn had been receding because of opposition to certain aspects of the

reform bill. However, after the close of trading yesterday the bill was finally approved by the chamber of deputies.

Support for the market again came from the telecommunications sector with an indication that the government aims to accelerate its reorganisation.

Stet rose L140 to L135.90 and Sip, likely to be merged with Italcable, gained L17 to L15.80. The market had already discounted most of the Fiat data revealed at the annual meeting, concentrating instead on Mr Giovanni Agnelli's statement that losses would be offset by sales of "non-strategic assets". Most analysts believe this to refer to Rinascente, Toro and Cogefar. Fiat shares, which had advanced L138 to L149.40 at the fix, slipped back to L139.00 at the close.

MADRID was convinced that the Bundesbank would cut rates said one trader, as the general index closed 1.80 higher at 259.84. Banks were the most obvious beneficiaries with Argenta rising Pta115 to Pta140, and Santander Pta140 better at Pta150.00.

BRUSSELS saw the Bel-20

index close at an all-time high, 10.48 higher at 1,278.53, pushed up by hopes of a German rate cut and a climb in Petrofina after the oil company's shares breached resistance at BF95.000.

Petrofina jumped by BF840, or 3.8 per cent to BF9,200, up by more than 8 per cent since last Friday. One trader linked the gains to a plan for the upgrading of the Ekofisk North Sea field, due to be unveiled today.

VIENNA drifted lower late in the day, the ATX index falling 6.29 to 851.7 with dips in two recently strong stocks, OMV and Creditanstalt preferred.

OMV fell Sch816 to Sch711 after the nationalised industries minister, Mr Viktor Klima, said that he would want the government to retain a veto on key decisions even after the company is fully privatised. Creditanstalt preferred lost Sch14 to Sch596.

ISTANBUL's market index fell 380.9, or 2.9 per cent to 10,778.6 on heavy selling amid reports of political rows over a confidence vote for the new cabinet.

ASIA PACIFIC

Australian golds ebullient as Japan remains subdued

Tokyo

SHARE prices moved within a narrow range on continued fears that the bribery scandal which shook the market on Tuesday could spread further, writes Emiko Terazono in Tokyo.

The Nikkei average finally rose marginally on investment trust support, closing 45.68 higher at 19,580.00 after a low of 19,439.90 and a high of 19,618.81. Trading was dominated by arbitrage-related selling, and buying by investment trusts and some overseas investors.

Volume remained subdued at 230m shares against 225m. Losers led gains by 594 to 355, with 166 issues remaining unchanged.

The Toxip index of all first section stocks lost 1.01 to 1,580.25 and, in London, the

ISE/Nikkei 50 index rose 2.31 to 1,195.10.

Most investors remained on the sidelines after Tuesday's 1.7 per cent fall, which followed the arrests of general contractor executives and Mr Toru Ishii, mayor of Sendai in northern Japan, on allegations of bribery. Officials at Hazama, Shimizu, Nishimatsu Construction and Mitsui Construction were charged with giving a combined ¥100m in bribes to Mr Ishii.

Shares of construction companies were sold heavily in the morning, but the sector ended mixed on buying by overseas investors and investment trusts. Nishimatsu fell ¥20 to ¥960, and Mitsui lost ¥2 to ¥502, but Shimizu ended up ¥6 to ¥826.

Rohm, a leading maker of integrated circuits, drew heavy buy orders at the start of the session on reports that the

company had won a patent on flash memory chips, a next generation technology, in the US. The Tokyo Stock Exchange suspended trading to allow investors to confirm the news.

Large capital issues were slack on arbitrage selling. Nippon Steel, the most active issue of the day, fell ¥3 to ¥365, while Mitsubishi Heavy lost ¥20 to ¥710.

Brokers also lost ground on fears of lower profits due to the recent fall in market turnover. Nomura Securities fell ¥20 to ¥1,950 and Daiwa Securities lost ¥30 to ¥1,250.

Game makers were in favour among traders. Sega Enterprises gained ¥240 to ¥7,000, recovering the level for the first time since April, and Nintendo advanced ¥100 to ¥9,600. Konami, which also supplies liquid crystal displays for pachinko games, Japanese pinball machines, rose ¥220 to a new

year's high of ¥5,320 on a rise in shipments.

In Osaka, the OSE average fell 113.89 to 21,690.39 in volume of 13.1m shares.

Roundup

EBULLIENCE in Australian golds conflicted with muted sentiment in Hong Kong and Singapore. Pakistan was closed at the start of a four-day holiday.

AUSTRALIA closed its financial year with another 112 from gold stocks. Bullion traded at around US\$380 an ounce in Sydney with brokers predicting that it would test the US\$400 level in the short term, and the gold share index rose 64.2 to 1,928.3.

Most blue chips were also higher, led by strength in National Australia Bank as book-balancing dominated trade. The All Ordinaries index

rose 19.6 to 1,738.1, while turnover rose from A\$392m to A\$407m.

Among gold stocks, Kidston rose 25 cents to A\$2.40 and Placer 15 cents to A\$3.10. National Australia Bank rose 10 cents to A\$9.38 and Western Mining 16 cents to A\$5.50.

NEW ZEALAND edged up to a new 1993 high, thanks mostly to a four-cent gain in Fletcher Challenge to NZ\$3.79. The NZSE-40 index rose 1.32 to 1,680.65 in healthy turnover of NZ\$46m with Fletcher Challenge attracting some NZ\$11.15m. Brokers said that they expected little tradeable news out of the budget, due tonight.

SEOUL saw institutional intervention in financial shares as the composite index rose 3.18 to 748.87 in turnover from Won451.3bn to Won526.9bn.

The financial sub-index

added 8.24 to 1029.95 and Kepco gained Won300 to Won1,700.

MANILA closed higher for the third straight day, fuelled by a technical rally and efforts by companies to improve their second quarter performance reports. The composite index ended another 8.63 higher at 1,577.41.

JAKARTA closed firmer in active trade, the JKSE index rising 1.51 to 360.35. PT Pan Brothers Tex, a major textile and garment producer, recovered Rp25 to Rp1,725 after falling Rp150 on Tuesday. The company said that rumours that it had serious bad debts, and that an insurance claim had failed were untrue.

TAIWAN dropped 1.8 per cent and breached 4,000 support level, the weighted index closing 72.32 lower at 3,995.51. Turnover shrank from Tuesday's TS16.7bn to TS12.4bn ahead of today's holiday.

Petrobras climb drives Brazilian equities

By John Pitt

Among the world's emerging markets last week, Brazil and Malaysia featured with a respective gain and loss in US dollar terms, according to data supplied by the IFC.

Brazil remains one of the year's strongest performers, a fact mirrored by the Bovespa index which has shown a year-on-year rise of some 70 per cent.

Mr Ednardo Faria of Latin American Securities in London notes that investors have recently been taking positions on possible privatisation issues; while Petrobras, the oil group, has been particularly strong on rumours of price increases.

One of the market's most heavily traded companies, Petrobras has shown a year-on-year rise of some 174 per cent to US dollar terms, with a substantial percentage of that happening over the last month.

Mr Faria believes that the market is now due for a period

EMERGING MARKETS: IFC WEEKLY INVESTABLE INDICES										
Market	No. of stocks	Jan 25 1993	% Change over week	% Change on Dec '92	Jan 25 1993	% Change over week	% Change on Dec '92	Jan 25 1993	% Change over week	% Change on Dec '92
Latin America										
Argentina	(10)	619.04	+0.2	+6.7	379,889.11	+0.2	+6.8			
Brazil	(44)	193.70	+3.7	+64.9	13,818,264.7	+10.3	+562.6			
Chile	(20)	404.15	+0.3	-3.4	656.02	+0.6	+2.3			
Colombia	(6)	383.77	-1.3	-9.7	594.52	-1.3	-12.6			
Costa Rica	(8)	629.51	-0.2	-6.9	844.03	-0.4	-7.0			
Venezuela	(6)	594.98	+1.1	+12.6	1,188.75	+1.7	+27.3			
East Asia										
South Korea	(130)	103.08	-1.2	+5.0	106.74	-1.1	+8.8			
Philippines	(11)	148.08	-1.5	+10.8	191.38	-1.1	+18.4			
Taiwan, China*	(76)	88.05	+0.3	+20.7	87.39	+1.0	+25.3			
South Asia										
India	(81)	73.68	-0.9	-21.4	61.87	-0.9	-14.5			
Indonesia	(31)	50.71	+0.2	+37.5	91.46	+0.6	+39.1			
Malaysia	(81)	165.23	-4.1	+18.4	160.28	-4.4	+18.0			
Pakistan	(8)	216.10	-3.3	+3.0	204.48	-3.4	+14.1			
Thailand	(62)	246.37	0.0	+6.8	247.80	+0.7	+6.2			
Euro/Mid East										
Greece	(17)	209.83	-0.5	+7.3	328.56	+1.0	+15.7			
Jordan	(5)	162.46	-0.1	+39.1	232.94	+1.1	+40.5			
Portugal	(19)	99.39	+0.2	+15.8	98.60	+1.7	+27.3			
Turkey	(31)	133.27	+0.0	+129.2	798.98	+4.5	+187.1			

Indices are calculated at end-week, and weekly changes are percentage movements from the previous Friday. Base date Dec 1988=100 except from noted which are 1987=100. * 1987=100. Source: IFC, London. Data as at 11.00pm GMT on 25 June 1993.

of consolidation, with a downside forecast of between 10-20 per cent. "It will be healthy for the market to take a breather," he says. "The question is whether foreign investors will see this as an opportunity to come into Brazil."

Malaysia fell back last week on technical trading on margin calls in second line stocks. However, says Mr David Bates of Asia Equity, the underlying

blue chip market held up well. The release of good economic data yesterday, showing a fall in inflation, should lift sentiment in the medium term, giving the government scope to reduce interest rates, he says.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS										
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